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# S P O R T

In Canada:

*Leadership, Partnership and Accountability*

*Everybody's Business*



HOUSE OF COMMONS  
CANADA

NOVEMBER 1998

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**STANDING COMMITTEE ON CANADIAN HERITAGE**

**SUB-COMMITTEE ON THE STUDY OF SPORT IN CANADA**

# S P O R T

I n C a n a d a :

*Leadership, Partnership and Accountability*

*Everybody's Business*

**Clifford Lincoln, M.P.  
Chair**

**Dennis Mills, M.P.  
Chair of the Sub-Committee**



HOUSE OF COMMONS  
CANADA

NOVEMBER 1998

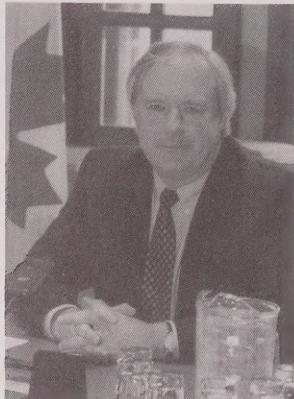


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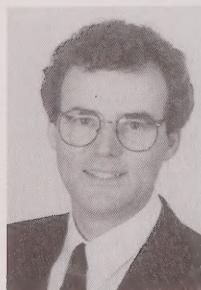
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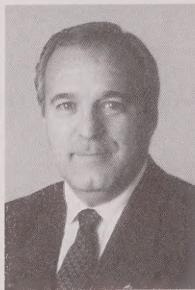
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# **THE STANDING COMMITTEE ON CANADIAN HERITAGE**

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has the honour to present its

## **SIXTH REPORT**

In accordance with its permanent mandate under Standing Order 108(2), your Committee has agreed to conduct a study on Sport in Canada and report its findings and recommendations.



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## PART I: OVERVIEW AND COMMITTEE MANDATE

Sport exerts a growing influence on major areas of human activity, including the political, economic, social, and cultural arenas. Its presence can also be felt in the realm of education and health. Sport has infiltrated the great social institutions of family, school, municipality, and private enterprise, and it has also encroached upon all the major media to become one of the great social phenomena of the twentieth century.

*Gaston Marcotte and René Larouche, Coaching: A Profession in the Making, 1991*

Sport touches most Canadians in various ways. From sandlot baseball to professional hockey, sport in Canada has become a cultural trademark. Few can deny the significance of sport in terms of participation, volunteer activity, entertainment and leisure, pride, health, community well-being and youth development. Over 78% of Canadians participate in sport as coaches, players or spectators, and 9.6 million Canadians regularly play some kind of organized sport (Statistics Canada, 1994). Sport and recreation account for the second highest proportion (18%) of all volunteers in Canada (Statistics Canada, 1998(a)). Canada is indeed a sporting nation and sport contributes in meaningful ways to defining us as Canadians.

The contribution of sport and physical activity to the areas noted above has been studied at great length and confirmed in various empirical and anecdotal reports. There have also been several wide-scale reviews of sport (primarily amateur sport) over the years which have contributed to public policy changes and the creation of new agencies or organizations (e.g. Task Force on Sport,



1970; Dubin Inquiry Report, 1990; Report of the Sub-Committee on Fitness and Amateur Sport, 1990; Sport, the Way Ahead, 1992). Until now, however, there has never been a concise review of the contribution of sport to the broader economy. This report examines the “industry of sport” in Canada. It provides an analysis of the various sectors of sport, describes the challenges these sectors face, and offers recommendations for the future.

The future of sport in Canada depends on strong leadership, partnerships and accountability. It is necessary to create stronger partnerships between the public and private sectors and between the various levels of government throughout this country. The recommendations presented in this report recognize the need for greater intergovernmental consultation, co-operation and partnership.

#### **MANDATE OF THE SUB-COMMITTEE**

In November 1997, the House of Commons Standing Committee on Canadian Heritage authorized the creation of the Sub-Committee on the Study of Sport in Canada. The Sub-Committee identified the following areas of study for its work:

1. Measurement of the economic impact of sport on a national and regional basis.
2. The contribution of sport to the cultural sphere, particularly with a view to finding evidence of sport’s impact on national unity and how this might be enhanced.
3. The potential scope of, and rationale for, federal involvement — or increased federal involvement — in the promotion of (and participation in) amateur sport in Canada.

The Sub-Committee invited comments from across the country to ensure that its findings would reflect as completely as possible the status of the sport industry in Canada and the interests of industry stakeholders. Representatives from every sport-related sector were asked to provide input for the Sub-Committee’s

consideration. The Sub-Committee collected its information in the following ways:

- testimony by invited groups or individuals (41 witnesses);
- responses to a detailed questionnaire sent to 215 sport organizations;
- briefs submitted by interested organizations, individuals and academics; and
- literature review and comparative analysis with sport systems in other countries.



## PART III: ROLE OF GOVERNMENT IN SPORT

It is interesting to speculate about the scholarly inattention to sports policy. In common parlance, sport falls under the rubrics of "play" and "games." If sports are merely play, they would seem less significant than matters of clearly instrumental concern, such as education, social welfare, or national defense. If sports are merely games, they would seem less worthy of concern than crime, public health, or environmental quality.

Yet ironically, the ways we conceive and implement sport may be fundamentally tied to those same policy concerns. The ways we construct sport programs are closely aligned to the ways we seek to educate and socialize our children. Sport has been used as a tool for nation-building and diplomacy. Sport can affect public health and the environment. Indeed, it has been shown that our sense of community has been determined, at least in part, by the nature of sports programs and opportunities that our policies afford. Thus the study of sports policies can tell us a great deal about our most instrumental policy concerns.

*National Sport Policies — An International Handbook — Chalip, Johnson, Stachura, 1996*

Government involvement in sport policy is a fairly recent phenomenon, having arisen primarily in the post-World War II era. Sport activity itself has been common-place in most countries of the world for many centuries. In fact, the Olympic Games can be traced back over 2000 years.



Governments around the world have put forward various justifications for their involvement in this area: from the traditional “physical culture” emphasis in the People’s Republic of China, to the more recent (1971) “Ping Pong Diplomacy”; from the nation-building focus of the post-Revolution era in Russia, to the military and defence objectives of sport and physical training in many countries and the foreign policy implications of attaining sport supremacy; from Japan’s promotion of sport as an acceptable way of dealing with human conflict, to the hosting of major international games as a means of developing a country’s infrastructure.

Whatever the initial motivators for state involvement in sport, most countries of the world have some form of sport policy which include the following objectives:

- Social cohesion
  - health education focusing on certain values through physical education
  - management of risk groups (e.g. young people)
  - promotion of national unity
- Economic development
  - construction of sports facilities
  - encouragement of private sponsorship
  - position in international competition
- Promotion of foreign policy
  - diplomatic pressure (boycotts, etc.)
  - bringing nations together and co-operation (e.g. Commonwealth Games, Jeux de la Francophonie)
  - promotion of a country’s international image
- Social development, welfare and health
  - promotion of sport as an instrument for promoting good health
  - reduction in inequality of access to sports facilities
  - promotion of equity (male/female, minority groups, etc.)

(Jean Harvey, Marc Lavoie and Maurice Saint-Germain, brief)

## The Canadian Scene

The Canadian government's role in sport can be traced to the mid-1950s. Government action was prompted by poor showings in the 1954 World Hockey Championships and in the 1956 Olympics, when Canada was defeated at its "own" game by the Soviet Union, followed by a disappointing performance at the 1960 Olympic Games in Rome. At the same time, Canada's perceived poor level of physical fitness created headlines in 1959, when the Prince of Wales delivered a speech to the Canadian Medical Association citing Canadians' "sub-health": "There is evidence that, despite everything, people in Canada are not as fit as they might be... Some scheme, therefore, which exists to encourage participation in all sports and recreations, for all ages and sections of the community, is absolutely essential to any modern community with a high standard of living."

As a result of these events, Parliament was prompted to examine the role of the state in addressing these national shortcomings. In 1961, the *Fitness and Amateur Sport Act* was enacted to "encourage, promote and develop fitness and amateur sport in Canada..." This Act paved the way for the Government of Canada to enter into cost-sharing arrangements with the provinces and to provide funding to volunteer-driven national sport organizations. However, this early federal involvement did not enhance Canada's international success. In addition, federal/provincial cost-sharing agreements did not prove to be an effective mechanism for distributing the \$5 million made available through Bill C-131. These challenges led to a series of further analyses and discussion.

During the national election campaign of 1968, as the national unity debate was heating up, Prime Minister Pierre Trudeau reflected on how sports might play a role in promoting national unity. The first Canada Games had been held the year before, in Quebec City, with the theme "Unity through Sport." Mr. Trudeau promised to establish a federal task force on the issue. The report of the *Task Force on Sports for Canadians*, which was tabled in the House of Commons in 1969, set the course for the government's emerging role in sport policy. The government created a number of new arm's-length sport agencies:



the National Sport and Recreation Centre, which would provide administrative services and office space to national sport organizations; the Coaching Association of Canada, mandated to provide more structured support for Canadian coaches in developing elite athletes; ParticipAction, an organization intended to promote more active lifestyles; the Canada Games Council to organize the Canada Games on a permanent basis; and Hockey Canada, created to halt the decline in Canada's international hockey success. While the federal government was still concerned with the fitness of average Canadians, the original focus of the *Fitness and Amateur Sport Act*, these early policy developments began to carve out the federal role in supporting Canada's high performance national and international sport infrastructure.

The proliferation of these new arm's-length agencies also increased the federal bureaucracy, with the creation of the Fitness and Amateur Sport Directorate (later upgraded to a separate branch with a dedicated Assistant Deputy Minister). Between 1971-1978, grants to sport and fitness organizations grew from \$6 million a year to \$39 million, of which about three quarters was directed to sport groups. This stimulus came about in part because of Canada's role in hosting the 1976 Olympic Games in Montreal, in which this country improved its overall standing from 21st to 10th, and the 1978 Commonwealth Games in Edmonton, when it finished as the top nation. The first Minister of State for Fitness and Amateur Sport, the Honourable Iona Campagnolo, was appointed in 1976 to oversee this unprecedented growth in federal involvement in sport.

The building blocks of Canada's sport and fitness system continued to be put in place in the early 1980s, with new programming support targeting women and people with disabilities in sport, bilingualism, international relations and fitness promotion (e.g. FitWeek, Canada Fitness Survey). When Canada was awarded the right to host the 1988 Olympic Winter Games, additional funding was provided to support Olympic winter sports preparation. A similar "Best Ever" program for Olympic summer sports followed in 1984. This injection of new funds into the system brought total annual federal funding for sport and fitness programs to a peak level of \$66.7 million in 1987.

The early 1990s were characterized by federal budget restraint, during which contributions to national sport organizations were reduced by approximately 25%. In addition, the government conducted a major review of its funding eligibility program and the Sport Funding and Accountability Framework was introduced. This reduced to 38 the number of organizations eligible for funding. In addition, the new funding guidelines further shifted the government's priority towards supporting high performance sport.

This period of restraint was reversed somewhat in early 1998 when the Minister of Canadian Heritage announced new funding for sport and a commitment to increase funding for high performance sport by \$10 million per year over the period 1998-99 to 2002-03.

## **Provincial, Territorial and Municipal Government Roles**

The provincial/territorial governments provide funding to provincial/territorial sport organizations; they support and promote sport development through provincial championships and provincial games as well as by preparing teams to participate in the Canada Games. These governments also develop facilities and provide direct support to athletes. The differing roles and responsibilities of the federal and provincial/territorial governments are fairly well defined and maintained through regular dialogue among officials and at the political level.

Local governments carry primary responsibility for facility development and maintenance. Municipal recreation departments play a key role in providing active living programs through organizing and managing community sport activities.



## PART III: ECONOMICS OF SPORTS

Sport is part of the life of many Canadians. Canadians participate in amateur sport to keep themselves physically active and challenge their physical abilities. According to Statistics Canada's 1992 General Social Survey, 9.6 million Canadians aged 15 and over regularly participate in one or more sports. Canadians are not involved in sport only as participants, however. Many are also involved as coaches, organizers and parents supporting their children's athletic activities. Canadians also support amateur or professional sports. Sport is an important facet of the culture, traditions and identity of our country; it is also a major contributor to the social life of Canadian communities.

Such activities, so popular among Canadians, also have a significant impact upon the Canadian economy, a factor that is not often recognized and rarely examined. The Sub-Committee's primary focus was to address the economic impact of sport and expand general awareness of how sport affects the collective wealth.

The importance that Canadians attach to sport and recreation is reflected in family spending on sport-related goods and services. Table 1 shows the total, average and proportion of spending by families on sporting goods and services in 1996.

**TABLE 1**  
Total and Average Annual Family Expenditures and Market Share of  
Sport-Related Spending, 1996

	Total Annual Spending (\$ million)	Average Annual Spending (\$)	Market Share (%)	1992 Market Share (%)
Active sportswear & athletic shoes	22.1	24.1	13	30
Sporting & athletic equipment	14.7	16.1	8.9	3.6
Live sports spectacles	0.3	—	0.8	0.8
Use of recreational facilities	7.95	8.1	5	5.4
Membership fees	4.92	5.1	2.8	2.6
Single usage	3.03	3.0	2.4	3.9
<b>Total</b>	<b>54.23</b>	<b>71.8</b>	<b>14.6</b>	<b>13.7</b>

Source: *Family Expenditures in Canada 1996*, Statistics Canada.

In 1996, Canadian families spent \$7,827 million on sporting goods and services, representing \$718 per family and 1.46% of total family expenditures. Compared to 1992, the latter represents an increase in the proportion of family expenditures devoted to sport-related goods and services. Family spending on sport is split equally between sporting goods (sportswear and sporting and athletic equipment) and sporting services (live sports spectacles, use of recreational facilities, etc.). For comparison purposes, in 1996 Canadian families spent 16.3% of their budget on shelter; 9% on food purchased from stores; 2.6% on automobiles; 2.1% on health care; 1.1% on education and 0.5% on reading material and other printed matter.

Sport activity has a direct as well as an indirect impact on the economy. The direct impact is measured by aggregating the incomes of the various factors of business production, including "primary inputs" (wages and salaries and supplementary labour income, indirect taxes, net income of unincorporated businesses, and operating surplus). The indirect impact is made up of various interactions among other businesses, generated by intermediate input requirements and representing the value of goods and services purchased from other industries for use in the process of production.

Chart 1, draws a broad picture of the direct and indirect components of the sport economy. The finished products — sporting goods, sportswear, sport shoes and pleasure craft — require primary level activity, for raw materials as well as activity at the initial and semi-processing levels. The direct economic effects of manufacturing sporting goods are the value added in their production. Indirect economic effects upstream are the value added resulting from activity at the primary and secondary sectors.

Direct and indirect economic effects are also generated at the tertiary level through the sport and recreation sector. Wholesaling and retailing of sporting goods and professional sports competitions also have direct and indirect economic effects. These include activities such as infrastructure management services, sport administration, media, banks, food and beverages, transport and communication, medicine and trade. Workers in those sectors would be directly affected if the sport industry were to decline.

**Chart 1**  
**The Sports Industrial Cluster**

*Primary Activities—Raw Materials*

Forestry operations and logging	Raising animals (skins) agriculture (plant and animal fibres)	Extraction and concentration of minerals	Oil production
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*Secondary Sector—Initial Processing*

Other intermediate consumption	Electrolysis, light metals, steel, alloys	Textile yarns	Abattoirs and tanneries	Organic chemistry petrochemical
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*Secondary Processing, Semi-Processed Products*

Energy, imports, machines, infrastructure construction	Plates, wires, tubes, milled parts	Weaving and hosiery, fabric enhancement	Leather, rubber, synthetic fibres	Plastics, composites
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*Finished Products*

Sporting goods	Sportswear	Sport shoes	Pleasure craft
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*Tertiary—Services for Production and Services for Consumption*

Retailing and wholesaling of sporting goods	Professional sports competitions, events	Management of federal and provincial parks	Infrastructure management: swimming pools, stadia, gymnasia
Physical education primary to post-secondary, coaches	Hunting and fishing, supply stores	Public administration of sport and of the sports industry	Administration of sports associations
Research and development of materials and services	Media, specialized magazines, advertising, display, agents	Medicine, care and pharmacy services for sportsmen and women	Import-export brokers or services for sporting goods
Transport and communications	Miscellaneous corporate services	Banks, insurance	Food and beverage

*Source:* Harvey & Salter-Grimm (1985).

Statistics Canada has estimated the direct and indirect economic impacts of the sport industry in Canada. As reported in Table 2, the whole sport industry can be divided into five broad categories: coaches, referees and athletes; the sporting goods industry; the sport and recreation service industry; national sport organizations; and government.

An estimate of the economic impact of sport in Canada per sector of activity is outlined in Table 2. Overall, the impact of the sport and recreation sector on Gross Domestic Product (GDP) is \$8.9 billion, or 1.1% of the Canadian GDP, and related employment is 262,325 or 2.0% of the total jobs in Canada.

**TABLE 2**  
Impact of Sport in Canada, 1994-95

	GDP (\$ millions)	Employment
<b>Coaches, referees and athletes</b>	<b>1,552</b>	<b>58,919</b>
<b>Sporting goods industry</b> Manufacturing, wholesale & retail	<b>2,975</b>	<b>59,122</b>
<b>Sport and recreation service industry</b>		
Professional sport clubs	476	19,071
Sport and recreation clubs	1,306	67,033
Live sport spectacles	132	4,644
Use of recreation facilities	820	28,897
Other sports related-services	416	20,416
<b>Total</b>	<b>3,150</b>	<b>140,061</b>
<b>National sport organizations</b>	<b>53</b>	<b>331</b>
<b>Government</b>		
Federal	263	1,634
Provincial	161	950
Municipal	704	1,307
<b>Total</b>	<b>1,128</b>	<b>3,891</b>
<b>Total sport</b>	<b>8,858</b>	<b>262,325</b>
<b>Total economy</b>	<b>781,786</b>	<b>13,399,000</b>
<b>Sport share (%)</b>	<b>1.1</b>	<b>2.0</b>

Source: Statistics Canada, November 1998.

This study represents the first time that Statistics Canada has tried to assess the importance of the sport industry in Canada. The evaluation contains some imprecision, since Statistics Canada provided only the information that it had already assembled at another aggregate level.

For comparison purposes, the brief from Jean Harvey, Marc Lavoie and Maurice Saint-Germain suggests that in 1990-91 the direct and indirect economic impact of the sport industry was a GDP of \$5.9 million and 237,106 jobs. These figures are somewhat compatible with the estimated total gross expenditures (not GDP) of \$16.2 billion<sup>1</sup> presented in the task force report, *Sport: The Way Ahead*.

Table 3 compares the sport and recreation sector's direct share of national GDP and employment with those of selected Canadian industries. For instance, agriculture accounts for about 1.81% of GDP; mining, 1.07%; logging and forestry, 0.68%; the motor vehicle and parts industry, 2.05%; and the aircraft and parts industry, 0.39%.

**TABLE 3**

Sport Sector and Selected Other Industries  
Share of Canadian Employment (1994) and GDP (1995)

Industries	Share of Total Employment (%)	Share of GDP (%)
Agricultural & related services industries	1.81	1.81
<b>Sport</b>	0.92	0.92
Food industries	2.05	2.05
Printing, publishing & allied industries	1.07	1.07
Motor vehicle and motor vehicle parts & accessories industries	2.05	2.05
Wood industries	0.82	0.82
Paper & allied products industries	0.68	0.68
Logging & forestry industries	0.39	0.39
Mining industries	1.07	1.07
Fishing & trapping industries	0.12	0.12
Crude petroleum & natural gas industries	0.48	0.48
Aircraft & aircraft parts industries	0.39	0.39

Source: Statistics Canada, CANSIM matrix 3472 and 4677 and *The Vitality of the Sport Sector in Canada*, April 1998(b).

Sections 1 to 4 present in more detail the broad categories outlined in Table 2. Section 5 deals with sporting infrastructure and section 6 outlines the importance of international sport for Canada in the context of global markets and foreign policy. Finally, section 7 discusses government revenues generated by sport activity.

The Sub-Committee consulted persons or organizations in each of these sectors through hearings, briefs and a questionnaire sent to 215 national organizations that operate in the sport economy, as well as through other documentation submitted to the Sub-Committee. Statistics Canada was an important source of statistics. It should be noted, however, that the Sub-Committee has not verified the figures and numbers that were provided to it by organizations. Also, it is worth noting that the economic impact presented in this chapter is the gross effect; that is, the numbers show only what current dollars are spent in the sport industry and attached value added. **It does not evaluate the net effect of \$1 spent in any other industry than the sport industry.**

## Section I: Athletes, Coaches, Referees and Volunteers

Athletes, from beginners through to high-performance amateurs or professionals, represent the basis of the whole industry of sport. They are the engine of the sport economy. They create demand for coaches and trainers, they are consumers of manufactured sporting goods, and they use the sporting facilities. High-performance athletes attract people to the stadium for amateur or professional sport events and their performances are broadcast on TV. They are the best promoters of sport in Canada. Greater vitality in sport means more vitality in the manufacturing of sporting goods and sporting facilities. In addition, high profile Canadian athletes are promoters of Canadian products at home and ambassadors for Canadian businesses abroad.

As indicated in Table 2, coaches, referees and athletes have a total impact on the economy of \$1.6 billion, which represents one fifth of the total economic impact of the sport and recreation sector. There are about 58,919 people in Canada who report their primary occupational activity as coach, referee or athlete.

At the amateur level, there are 1,026 carded athletes who receive direct funding support from Sport Canada. There are about 226 professionals playing for Canadian franchises in the National Hockey League (NHL), Major League Baseball (MLB) and National Basketball Association (NBA). There are more than 300 professionals playing in the Canadian Football League (CFL), and about 150 players for the National Hockey League and Major League Baseball farm clubs located in Canada.

Just one athlete can have a tremendous impact on the economy. A study in *Fortune* magazine indicates that, over his career, Michael Jordan has had a total impact of about \$10 billion on the United States economy. What sort of an economic impact did Wayne Gretzky have on the Canadian economy while he was playing with the Edmonton Oilers? More recently, what has been the impact of Myriam Bédard, Elvis Stojko, Donovan Bailey, or Ross Rebagliati, for example, on the Canadian economy?



For every athlete who reaches the top level there are many thousands of athletes in the development stream. Sport Canada estimates that there were 2.7 million competitors registered as members of national and provincial sport organizations in 1994; that is, they paid membership fees which allowed them to compete in recognized competitions. Of the millions of registered members, just over 1,000 were federally carded athletes receiving direct funding for their training and competition expenses. The two largest groups of registered athletes are with the Canadian Soccer Association (582,565 registered players in 1997) and the Canadian Hockey Association (507,737 registrations in 1996-97). Appendix 1 depicts the competitive sport delivery system in Canada.

Coaches and trainers are essential inputs in the sport economy. This human resource is the basis of the sport economy structure. According to the Coaching Association of Canada (CAC), between 1992 and 1996 more than 65,000 coaching certificates were awarded. The majority of these certificates were for the first level of coaching (76%); only 260 were for levels 4 and 5.



However, remunerated coaches are only the tip of the iceberg of the gigantic human resource structure set up for the development of the entire sport sector. For instance, the Canadian Hockey Association has a total of 73,580 registered coaches and the Canadian Soccer Association has 72,000 registered coaches. Overall, there are 188,000 registered coaches in national sport organizations. Many coaches and trainers play a part in the development of just one top level athlete.

Since most of the trainers are volunteers, it is not possible to measure their time investment in terms of direct economic impact. Even if their quantifiable contribution to the economy is limited, coaches and trainers are one of the pillars of the sport industry. According to a 1997 Statistics Canada *National Survey of Giving, Volunteering and Participating*, there are about 1.8 million volunteer jobs in sport and recreation in Canada. An average of two hours a week per job over the 11-month survey totalled over 172 million hours. This represents approximately 83,000 full-time, full-year jobs. If these jobs had paid \$5 per hour they would have generated a payroll of \$16.6 million a week or \$864 million per year.

## Section 2: Manufacturing, Wholesaling and Retailing of Sporting Goods

Manufacturing, wholesaling and retailing sporting goods all depend on participation in sport. In 1996, Canadian families spent \$2,289 million on active sportswear and footwear, up 28% from 1992. Moreover, spending on sporting and athletic equipment was \$2,071 million, an increase of 31% from 1992.

Many jobs are related directly to sporting activity. Sporting goods factories are primarily engaged in the manufacturing of sporting, athletic and recreation equipment, including equipment for archery, badminton, baseball, basketball, cycling, billiards, bowling, curling, fishing, football, golf, gymnastics, hockey, hunting (excluding firearms), lacrosse, skating, skiing (excludes boots), snowshoeing, squash, table tennis, tennis, tobogganing, and track and field.

Amusement and sporting goods wholesalers are primarily engaged in the wholesale distribution of sporting goods and accessories, billiard and pool supplies; sporting firearms and ammunition; and marine pleasure craft equipment. Sporting goods retailers are primarily engaged in selling sportswear, and sporting and athletic equipment. Since 1990, the number of employees, wages and salaries, the value of shipments and the value added in the sport sector have all increased. Table 4 shows that, in 1997, there were about 200 manufacturing establishments in Canada, a reduction of 2.8% per year from 1991.



**TABLE 4**  
Sporting Goods Industry (millions of dollars)

	1991	1992	1993	1994	1995	1996	1997	% <sup>1</sup>
<b>Manufacturing (SIC 3931)</b>								
Number of establishments	214	202	198	180	186	200 <sup>e</sup>	200 <sup>e</sup>	-2.8
Number of employees	6,744	7,015	8,139	8,734	8,693	10,000 <sup>e</sup>	10,500 <sup>e</sup>	5.2
Wages and salaries	163.0	171.5	204.7	223.7	224.0	N A	N A	6.6
Value of shipments	675.9	702.5	847.2	1,032.3	1,064.0	1,070.9	1,131.4	10.9
Value added (GDP)	322.4	366.5	442.3	570.9	626.9	N A	N A	14.2
<b>International Trade</b>								
Canadian market	1,060.3	1,158.5	1,303.2	1,516.8	1,674.7	1,591.4	1,677.0	9.5
Exports	214.8	270.7	338.4	436.3	506.5	556.8	579.1	21.9
Imports	599.2	726.7	794.4	920.8	1,081.2	948.4	1,056.0	12.0
<b>Wholesaling<sup>2</sup> (SIC 5942)</b>								
Number of employees				1994 = 2,164				
Value added (GDP)				1994 = 612.7				
<b>Retailing<sup>3</sup></b>								
Number of employees				1994 = 36,477				
Value added (GDP)				1994 = 876.7				

(e) Estimates from Industry Canada.

(1) Average annual change between the latest available year (estimates from Industry Canada are not taken into account).

(2) Number derived from the value of sales by Statistics Canada.

(3) Number derived from the family expenditure by Statistics Canada.

Source: CANSIM matrix 6880 and 9550, Statistics Canada and *Industry Profile: The Canadian Equipment Industry. Trade Industry Report*, Bernard Ouellet, Industry Canada, May 1998.

In 1995, there were 8,693 manufacturing workers employed in sporting goods production. Since 1991, employment in this sector has increased at an average annual rate of 5.2%. Industry Canada estimates that there were 10,500 employees in sport manufacturing industries in 1997. The wages and salaries paid in this sector in 1995 came to \$224 million, an annual increase of 6.6% since 1991. Between 1990 and 1997, the value of shipments in this industry increased at an annual rate of 10.9%, reaching \$1,131 million in 1997. In addition, the value added increased at an annual rate of 14.2% between 1991 and 1995. In 1995, the latest year for which data are available the value of shipments totalled \$626.9 million.

The wholesaling and retailing of sporting goods provide employment to many Canadians and have a significant economic impact. In 1994, wholesaling accounted for a total of 2,164 direct jobs and had a value added (GDP) of \$612.7 million. For the same year, retailing of sportswear and sporting and athletic equipment accounted for 36,477 direct jobs and a value added of \$876.7 million.

Canadian manufacturing industries are very exposed to international trade, more so than is the average for the Canadian economy (Saint-Germain et al., 1998). Canada exported 48% of its total shipments in 1997, while 63% of sporting goods sold here were imported. Canadian exports increased at an annual rate of 21.9% between 1991 and 1997, while imports increased by 12.0% per year during the same period. The Canadian market increased at an average annual rate of 9.6% during that period, reaching \$1,677 million in 1997.

Canadian exports of sporting goods are mainly concentrated in swimming and wading pool kits and accessories (26.7%); gym and exercise equipment (25.9%); ice skates, protective headgear and ice hockey equipment (24.6%); in-line/roller skates (9.5%); snow ski and snowboard equipment (5.1%); and bicycles (3.1%). Canadian exports are shipped mainly to the United States (76.6%) and, to a lesser extent, to Western Europe (15.0%).

Canadian imports consist mainly of bicycles, parts and accessories (18.6%), gym and exercise equipment (18.7%), golf equipment (18.3%), skate and hockey equipment (11%), ski and snowboard equipment (7.1%), fishing equipment (5.3%) and racket equipment and accessories (1.3%). The United States, Asia and Western Europe account for 50.1%, 37.0% and 9.8% of total imports respectively.

As it is the case for Canada, international trade in sporting goods is very important globally; international trade accounts for about one-third of the world market. Generally, lower-cost products are sourced from low-wage countries in the Far East, while developed countries (including Taiwan) provide higher value-added items (Ouellet, 1998).

In 1997, the global value of sports equipment at the wholesale level was estimated at \$90 billion, a 5% increase since 1996. At the national level, there is a high degree of market concentration, with the top 10 countries estimated to represent more than 80% of the world market and 75% of international trade. However, the opposite is true at the supplier level, with industry estimates indicating the top 10 companies control less than 20% of the market. Although exact world-wide market figures are unavailable, industry estimates suggest that the U.S. has 30% of the sports equipment market, the European Community about 33%, Japan has 22%, Canada has 3%, and the rest of the world accounts for 12% (Ouellet, 1998).

Forecasts for the next decade suggest that annual growth will continue, although it may not reach the 8-10% annual growth witnessed in the 1980s. Moreover, in the future, sporting goods will make greater use of composites and new materials in place of traditional materials; this will improve sourcing opportunities and gain ready acceptance among consumers. The successful firms will be marketers with control over the brand name, distribution, service, and manufactured quality of the products rather than just manufacturing operations (Ouellet, 1998).

The North American Free Trade Agreement (NAFTA) is expected to have little impact on the sporting and recreational equipment sector. With the implementation of the agreement on January 1, 1994, nearly all Mexican tariffs were eliminated. The major exceptions are bicycles (tariffs to be eliminated January 1, 2003) and a few other sport and recreation products (tariffs to be eliminated January 1, 1999) (Van Zant, 1996).

## Section 3: Sport and Recreational Service Industries

Participation in a sport activity as either a competitor or a spectator creates a need for businesses and workers to provide services. For instance, golfers' need of golf clubs provides jobs and facilities to manufacture these. In the same way, attendance at a sport event requires workers to stage the event and provide support services for spectators.

The sport industry includes commercial spectator sports (professional sports clubs and horse race tracks) and sports and recreational clubs and services (golf courses; skiing facilities; boat rentals and marinas; and other amusement and recreational services). The economic activity related to the sport and recreational service industries has a broad impact on the economy.

Table 5 presents the number of firms primarily engaged in providing sport and recreational services from 1982 to 1994. In 1994, a total of 5,336 firms provided sport-related services producing \$3.1 billion in revenues. While only one out of four enterprises was operating in commercial spectator sports, these enterprises generated one out of every three dollars produced in the industry.

**TABLE 5**  
Selected Sport and Recreational Service Industries, Canada, 1992 to 1994

Type of Service	Number of Firms			Total revenue (\$ millions)		
	1982	1988	1994	1982	1988	1994
Commercial spectator sports	1,878	1,165	1,317	288	588	1,018
Professional sports clubs	88	96	149	39	94	82
Horse race tracks			626	228	278	382
Sports and recreation clubs and services					1,700	2,056
Golf courses			26	84	635	1,149
Curling clubs						38
Skiing facilities			38	108	262	420
Boat rental & marinas			2	7	6	234
Other sports and recreation clubs			11	23	23	359
Total	8,380	4,296	5,336	882	2,129	3,114

Source: Statistics Canada, CANSIM matrix 41 and 42.

Between 1982 and 1994, the number of firms engaged in the sport and recreation sector in Canada grew by 68%; however, most of the increase (55%) was before 1988. Professional sports clubs showed the most growth, increasing 69% to stand at 149 in 1994. Only the number of horse race tracks decreased in this period. Total revenue in all sectors grew in both current and constant dollars, with the biggest increase in professional sports clubs and the smallest increase in horse race tracks.

It is worth noting that the total revenues shown in Table 5 are only a fraction of all revenues in the sport and recreation service industries. The reason is that Table 5 presents numbers only for firms that are primarily engaged in this area, while Table 1 took into account total family expenditures on all sport-related services.

Moreover, amateur sport events make an important contribution to the economy by providing a service to local communities. A good example of an amateur sport event is a Canadian Hockey League (CHL) game. With its 47 franchises in Canada, the CHL had an attendance of 4.5 million spectators in 1997-98, more than any major league sport in Canada. The charts at the end of this section compare attendance at Canadian Hockey League events and at professional sport league events in Canada and shows the evolution of attendance at Canadian Hockey League games since the 1979-80 season. According to the Canadian Hockey League, the direct and indirect economic impact of its activities is estimated at \$135 million annually.



The next three sub-sections emphasize some particular aspects of the sport and recreation sector: groups the Sub-Committee heard specifically (professional sport clubs); factors not taken into account in the calculation of the sport industry GDP (major games hosted in Canada); and examples of how the sport and recreation sector contribute to the tourism industry.

#### **A. Professional Sport Clubs**

Professional sport clubs have been in Canada for many years. The National Basketball Association (NBA) was present in Toronto 40 years ago, Montreal had professional baseball clubs in the 1950s, and football has over 100 years of

history in Canada. Professional sport clubs provide high-level entertainment and give a very high profile to the sport industry. The employment and economic activity created through their operation are significant. Professional sport teams, in addition to the economic advantages they bring, focus North American attention on any city in which they play.

Canada has six National Hockey League (NHL) clubs, eight Canadian Football League (CFL) clubs, two Major League Baseball (MLB) clubs and two National Basketball Association (NBA) teams. There are also four professional soccer clubs and two professional lacrosse clubs. Canada also has four baseball farm teams and four hockey farm teams. The professional and semi-professional clubs also make an important contribution to Canada's economy. Statistics Canada (see Table 2) has estimated that professional sport clubs and the retailing of live sport spectacles have a total GDP (direct and indirect) value of \$608 million and account for 23,715 jobs.

The National Hockey League estimates that the six professional hockey clubs generate 8,689 full-time and part-time jobs in Canada as well as 3,039 indirect jobs. In terms of annual wages, this represents \$300.7 million directly and \$100.3 million indirectly. The total impact (direct and indirect) of the National Hockey League, in terms of GDP, is estimated to be \$437.6 million per year.

Major League Baseball (MLB) in Canada also has an important impact on the economy. A 1991 study shows that the Toronto Blue Jays and the SkyDome provide 2,700 direct jobs (part-time and full-time) and 500 indirect jobs. Moreover, the net GDP is estimated at \$97.3 million. The Montreal Expos estimate that they have a GDP of \$105.3 million, of which \$37.9 million comes from outside Montreal. In addition, it is estimated that the Montreal Expos create roughly 1,252 jobs, of which 451 are attributed to expenditures by individuals coming from outside the city.

The National Basketball Association teams in Vancouver and Toronto also have a very important economic impact. For basketball activity only (arena activities have already been covered for the Vancouver Canucks), the Grizzlies evaluate that they generate 375 full-year jobs and a GDP of \$43.9 million. The impact of the Toronto Raptors would be similar, though this has not been calculated.



Although there are no figures on the exact economic impact of the Canadian Football League, the league has over 1.8 million spectators a year and most revenues stay in Canada.

While the operation of these teams generates significant economic activity, there is also an enormous investment in infrastructure, which, in turn, has a great economic impact. Between 1995 and 2000, Canadian professional sport clubs in the National Hockey League and the National Basketball Association will have invested about \$1 billion of private money on facilities and related infrastructure. If the Montreal Expos proceed with plans for a new ballpark, there would be a private investment of almost \$100 million. The Toronto SkyDome has a private investment of about \$300 million. Such investments also generate economic activity. For instance, the Expos have estimated that the construction of a new ballpark (\$250 million) would generate 3,785 jobs a year and a total provincial GDP of \$181 million.

As indicated at the beginning of this chapter, the aforementioned data should not be interpreted as a net economic effect. They represent only the size of the professional sport industry in Canada. The dollars that spectators spend at the stadium are dollars that will not be spent in other sectors of the economy. It does not necessarily follow that the absence of professional sport clubs (unfortunate as this would be) would reduce GDP by the entire amount of the clubs' economic GDP, as expressed above. Part V, section 7, B(1) discusses the weaknesses and limitations of the economic impact evaluations that are generally presented by professional sport clubs in the United States in their attempts to get subsidies to finance their facilities.

## **B. Major Game Events Hosted in Canada**

Major games have been a critical factor in the very rapid development of Canadian sport since the passage of the *Fitness and Amateur Sport Act* and the advent of significant federal funding for sport in 1961. In addition, multi-sport events have proved to be a very effective means of levering major financial commitments from provincial governments, and national and international private sectors. The economic impact of the infusion of public and private funds in regions where games have been hosted has been considerable. Past

achievements (such as the 1967 Pan-American Games, the 1976 Olympics, the 1978 Commonwealth Games, the 1983 World Student Games, the 1988 Calgary Olympics, the 1994 Commonwealth Games and over 16 editions of the Canada Games) are evidence of Canada's proud tradition of hosting major games. These events are generally regarded as having been highly successful and have enhanced Canada's reputation as a major sporting nation at home and abroad. As a result, several trends can be identified showing the economic and social benefits accruing to the host region and the nation.

From an economic perspective, the hosting of major events brings significant economic activity to local industry, in particular the construction and hospitality industries. This activity produces hundreds of full and part-time jobs and contributes substantial tax revenues to various levels of government. The hosting of the 1988 Calgary Winter Olympics created 28,000 person-years of employment and had a \$1.3 billion impact on the Canadian economy. Private and international sector investments in the form of television revenues and sponsorships stimulated by the hosting of the Calgary Games accounted for more revenue than the direct and indirect contribution of the three levels of government. The upcoming Pan-American Games (Winnipeg) are expected to generate \$178.9 million in direct and indirect gross expenditures and create 2,068 person-years of employment.

The economic impact studies published by proponents of bids for games are generally somewhat optimistic in attempts to garner public support. In most cases, public investment in hosting major games is only partially recovered through the resulting income and consumption taxes, but the hosting of major games generates non-monetary benefits for the host country region which can be characterized as the "real return." These intangibles include: sporting and cultural development, social cohesion and civic/national pride, international recognition, and post-games tourism (Pilon and Cowl, 1994).

Cumulatively, over \$230 million has been invested directly in the Canada Games since their inception in 1967, about half of it in capital projects. From track and field complexes to ski hills, soccer pitches to swimming pools, a legacy of sports facilities has been built up in 16 medium-sized communities across Canada. These facilities have provided a springboard for Canadian



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growth in sports excellence and fitness and for training of coaches, technical officials and sport administrators.

Table 6 provides a summary of the economic impact of several editions of the Canada Games and other international events. These results have been generated by economic models from reputable agencies such as the Manitoba Bureau of Statistics and the Conference Board of Canada's TEAM Economic Impact Model. The economic activity measured includes capital and operating spending as well as spending by visitors to the host area. In all cases, an economic multiplier is applied to provide a total net injection from hosting the events.

**TABLE 6**

Economic Impact of Hosting Major Games (millions of dollars)

Games	Capital	Operating	Visitors	Jobs	Net Injection
<i>Canada Games</i>					
1987 Cape Breton	9.5	9.5	.5		36.0
1991 PEI	23.3	8.9	10.9	607	57.6
1995 Grande Prairie	6.24	10.88	3.16	421	37.75
1997 Brandon	5.9	7.2	2.9	349	35.0
2001 London	8.3	9.9	10.84	737	61.73
<i>International Games</i>					
1988 Calgary Olympics	505.5	310	60.0	27,366	1,277.0
1994 Commonwealth Games	64.1	90.0	32.0	4,849	352.0

Source: See text above.

While the investment in capital and operating expenditures for major games has created the greatest economic impact, the staging of these events in Canada has also been used very effectively to encourage significant advances in Canadian sport, in terms of both performance and participation levels. The fact that Canada hosted the 1976 and 1988 Olympics, in particular, led to tremendous enthusiasm among sport organizations to accelerating sport development. In each case, the federal government, in partnership with the provinces and non-profit sport organizations, initiated new programs to capitalize on the increased interest in sport. Game Plan '76 (a federally funded program offering direct support to athletes) contributed in a major way to Canada's 10th place finish



overall in 1976 (compared to 17th place in the preceding Olympics). Similarly, the Best Ever Winter Program (followed shortly after by the Best Ever Summer Program) provided significant new federal resources for the training of Canada's high-performance athletes and the development of general competitive opportunities in the winter and summer Olympic programs. These programs in turn prompted the provinces to initiate their own Game Plans or Best Ever programs targeting the lower tiers of the sport system. Finally, the spinoff from the staging of these major events was increased general enthusiasm for and participation in sport among Canadians of all ages.

In addition to the positive economic benefits of hosting major games, several other important gains can be identified over both the short and long term. These include: concentrated media coverage; increased tourism; accelerated infrastructure development; business development in the community; national pride and identity; cultural awareness; improved sporting infrastructure to serve the community after the event; sport development opportunities and an army of experienced volunteers.

### **C. Tourism**

Participation in sport and attendance at major sporting events are important generators of tourism activity in many regions of this country. According to Statistics Canada, many travel agendas include participation in recreational and competitive sports; in some cases, sport may be the overriding purpose for travel. Both athletes and spectators travel to such major sporting events as the Canada Figure Skating Championships, the Canada Games or the National Hockey League playoff games.

The Canadian Travel Survey shows that nearly 8.6 million person trips taken by Canadian travellers included attendance at a spectator sporting event in 1996 and 35.84 million person-trips included participation in sports or an outdoor activity. In fact, sport activity represents 26% of all person-trips taken by Canadians.

Travellers from the United States and other parts of the world also enjoy sporting activities in Canada. In 1997, 728,000 overnight person-trips from the



United States to Canada included attending a sport event and nearly 3.9 million included participation in sports or some outdoor activity; these features were present in 34% of all overnight trips. Moreover, in 1997, 433,000 overnight international person-trips (excluding trips from the United States) included attendance at a sport event, and nearly 1.2 million included participation in sports or outdoor activities; these features were included in 38% of all international person-trips. These spectator and participator sport events contribute to the economy of our local and regional communities through tourist spending on accommodation, food and related goods.

Travellers to Canada often take advantage of our spectacular geography and wilderness areas. Recreational physical activities such as swimming and other water sports are popular with both domestic and foreign travellers to this country. Canadian travellers also enjoy fishing, golfing, downhill skiing and cycling. While hunting/fishing activities are popular with American travellers, downhill skiing is popular with other international visitors to Canada (Statistics Canada, 1998(b)).

Many sport activities and events have a long tradition of spectator popularity and success, while others are particularly relevant to Canada's key tourism markets (e.g. hockey, equestrian, baseball, tennis, figure skating, golf, football, cycling, soccer and skiing). Some spectator sports have an established ability to attract tourists; these tend to involve professional sport teams (National Hockey League, Major League Baseball, figure skating, alpine skiing, tennis, equestrian, auto racing). Also showing potential for attracting tourists are spectator sports that are not currently established in Canada, or do not possess all the attributes of sophistication, high level marketing, quality venues, prime location necessary to attract the tourist spectator. Nonetheless, there is a positive interest and potential demand for these sports and they could become strong tourism spectator products; examples are soccer, rugby, cricket, NFL football and golf (Statistics Canada, 1998(b)).

Major multi-sport games are another example of how sport attracts tourism. Not only athletes, coaches, officials and delegations, but also visitors to the sporting event create important spinoffs for the local economy and increase public awareness of the host region.

In that sense, the 1988 Winter Olympic Games in Calgary are a tremendous example of tourism resulting from a major sport event. According to the Calgary Tourism and Convention Bureau Research Department, over 150,000 people arrived in Calgary during the month of February 1988 and 21% of games spectators stayed 13 or more nights. Moreover, almost 40% of spectators were visiting Calgary for the first time; 27% of them had never heard of Calgary prior to the Olympics. A Department of Canadian Heritage report by Terrence Cowl (1994) found that international tourist volume has grown significantly since the 1988 Olympics. Such tourism really makes an important contribution to the Canadian economy; first it brings in dollars from outside the country and, second, these travellers stay longer and spend more money. Canada has held, or will hold, other international major multi-sport events since the Calgary Games. The Commonwealth Games in Victoria attracted 133,000 visitors and the 200,000 visitors predicted for the Winnipeg Pan-American Games in 1999 are expected to spend about \$21.7 million.

The Canada Games, which are held every two years in a different city, are also an important source of tourism for the host area. The Manitoba Bureau of Statistics has estimated that the 1997 Summer Games in Brandon attracted 4,065 overnight visitors including 2,100 athletes and 1,965 support staff (including mission staff), technical officials, VIPs, broadcasters, media, parents and so forth. These 4,065 visitors were expected to spend about \$3 million, increasing Manitoba's GDP by \$2.4 million and providing 58 person-years of employment. These visitors' expenditures were expected to generate \$0.7 million for the three levels of government, not including the tourism generated during and after the events.

International professional single-sport events held once a year, such as the Canadian Tennis Open in Toronto and Montreal, the Grand Prix of Canada in Montreal, the Indy Race Car in Toronto and Vancouver, or an event like Canada Cup Hockey, held every four years, give tremendous visibility to Canada throughout the entire world. Not only are international visitors attracted to these events, but general awareness of Canada is raised and this has a major influence on people selecting a vacation destination.



The Montreal Grand Prix is broadcast in 130 countries and has a TV audience of 300 million people. Moreover, all major newspapers follow the event, which attracts more than 200,000 people yearly, about 20% of whom come from outside Canada, 14% from the United States, 4% from Europe and 2% from Asia. The 1997 event attracted 104,000 foreigners.

Professional teams in major leagues attract tourists from both Canada and the United States. For instance, the Toronto Blue Jays have estimated that they, and other SkyDome events, generated some \$39.4 million for the tourism industry in 1991, with multiplier effects representing \$91.9 million and the creation of 1,800 jobs. This represents half of the total economic impact of the Blue Jays for that year, with over 11% of Blue Jays patrons being visitors to Toronto. "Tourist spending augments local fan support and contributes to what is widely recognized as a valuable component of the Canadian economy. Studies conducted in the early 1990s indicate that the Blue Jays contribute more to tourism than any other Canadian sports franchise" (Blue Jays, Meeting No.18).

For the Montreal Expos, the situation is similar: "11% of fans attending Expos games are visitors from outside the Province of Quebec. For two thirds of these tourists, the primary reason for their visit to Montreal is baseball" (Expos, Meeting No. 14). According to the Expos, of the \$105.3 million the team contributed to the economy, \$22.6 million is from tourists from outside the Montreal region, representing 21% of the total impact. The media impact measure for the Expos shows that the team allows Montreal to receive over one billion impressions in newspapers valued at more than \$22 million yearly.

Orca Bay has estimated that overnight expenditures of visitors to the Vancouver Grizzlies at General Motors Place provide 55 full-year equivalent jobs and a GDP of \$1.6 million.

There are over 250,000 sport events hosted annually in Canada, each of which had an impact on the tourism industry. Despite its significance, sport's impact on tourism goes largely unnoticed. Nevertheless, it contributes roughly \$4 billion in tourism expenditures (SOAR International, brief). Sport activity is clearly a major way of attracting tourists to all regions of the country. Many world citizens now know Canada better because of the international sport events held here and because of internationally renowned Canadian athletes.

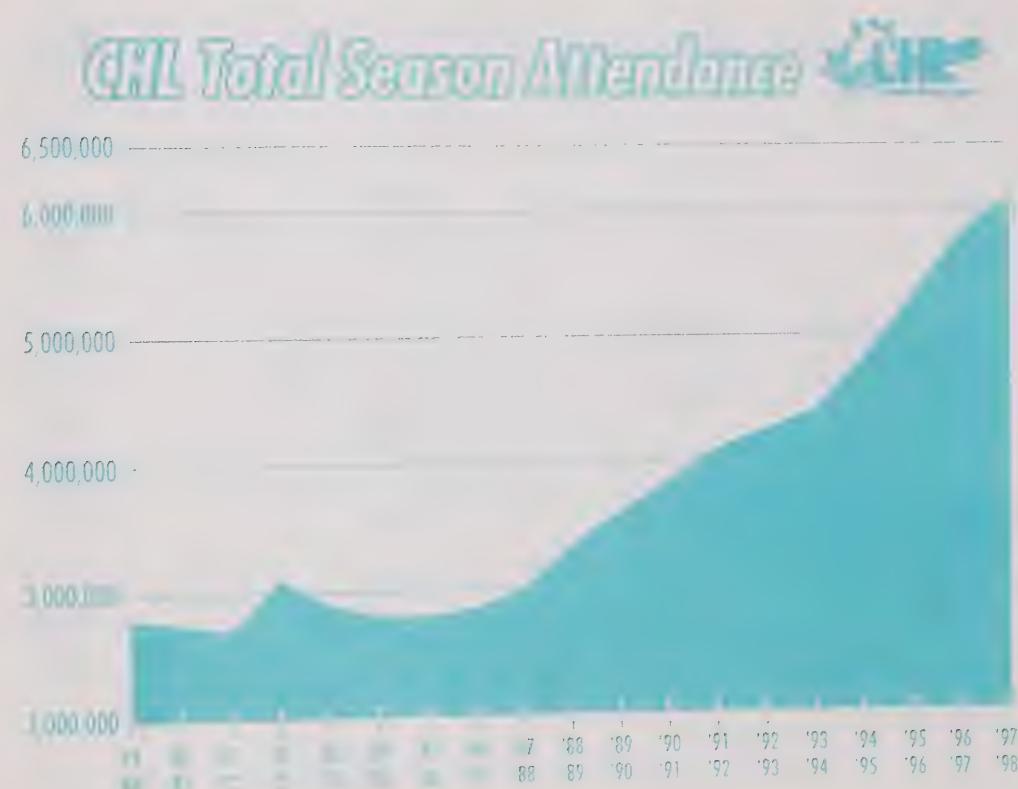


Considering that tourism in Canada, in 1997, had an economic impact (GDP) of \$29.2 billion<sup>2</sup> (or 3.4% of the GDP) and generated 503,200 person-years of employment, the role that sport plays in attracting tourists is significant.

#### CHART 2

1997-98 Regular Season Attendance

Canadian Teams



Source: David Branch, CHL





**CHART 3**

CHL Total Season Attendance

*1997-98 Regular Season Attendance,  
Canadian Teams**Source:* David Branch, CHL

## Section 4: National Sport Organizations

The national sport organization is the pivotal agency in each category of sport ... A national sport organization is generally made up of provincial/territorial sport organizations and various regional and local clubs and organizations which are affiliated to the national body through the provincial body.

*Amateur Sport: Future Challenges. Second Report of the Standing Committee on Health and Welfare, Social Affairs, Seniors and the Status of Women (Dec. 1990)*

National sport organizations are generally non-profit organizations that provide support for athletes and organized competitions, hold the sanctioning rights for international competitions, establish coaching certification standards, provide technical development programs, and prepare national teams. Sport Canada provides financing for 50 organizations (38 as single sport and 12 as multi-sport organizations) through the National Sport Organization Support Program, which is aimed at assisting the organizations to achieve sport objectives that complement those of the federal government. The program is open to national sport organizations that have qualified under the Sport Funding and Accountability Framework.

This Framework is a comprehensive, objective tool to ensure that federal funds are allocated to national sport organizations that contribute directly to federal sport objectives and priorities. It encompasses three main components: eligibility, funding determination and accountability. To be eligible for funding for the period covering 1996 to 2001, national sport organizations must have met established prerequisites and, following a detailed assessment by Sport Canada, achieve a high score above the eligibility threshold. Prerequisites include accepting national sport organization guidelines, responsible accounting, and adherence to Sport Canada policy with regard to gender accessibility, official languages, drug use and tobacco sponsorship. The assessment is based on evaluation criteria organized into three key categories:



high performance, sport development, and management practices. Support provided to national sport organizations is targeted to priority areas such as national team programming and the development of coaches and officials. Assistance is also provided for staff and coaches' salaries along with the general operations of the national sport organization. Total federal funding to the organizations recognized by Sport Canada in 1997-98 amounted to \$26.5 million. These organizations, as reported in Table 2, generate a total of 331 jobs and add \$53.3 million to the GDP.

Not all sport organizations meet the criteria for Sport Canada funding, however. There are currently 10 Olympic sports that do not receive any Sport Canada funding and 10 others where funding was phased out in 1996-97; such sport organizations still provide services for high-level athletes, professional athletes or recreational athletes. They also organize competitions and provide support for the sport practitioner. The Sub-Committee consulted over 200 sport-related organizations, of which about 120 were directly related to national sport organizations. The 74 survey replies indicate that national sport organizations (funded or not by Sport Canada) generate approximately 10,000 jobs representing 2,000 full-time equivalent jobs and have operating budgets of about \$62 million. On average, most of their revenue (70%) comes from private donations or the sponsorship activities of the organizations.



## Section 5: Government and Public/Private Infrastructure

Governments at all levels play an active role in the provision of sporting infrastructure, organization, funding of provincial and national sport bodies, and support for provincial, national and international sport events. Table 2 shows the economic impact of government on the sports sector in terms of GDP and employment. The total economic impact (direct and indirect) on GDP is worth nearly \$1.1 billion and jobs are provided to 3,891 people. Most of GDP contribution (62%) by government is provided at the municipal level. However, the federal government makes the most important contribution on the employment side; 42% of jobs are created by that level of government.

Municipal infrastructure represents the backbone of the sport delivery system. According to a project report produced by KPMG Peat Marwick Stevenson and Kellogg, in Saskatchewan alone, there are a total of 3,141 non-private sporting facilities. Table 7 shows how these are split among different uses. According to the same study, the total cost, including wages and salaries, utilities, repairs and maintenance, and all other cash operating are estimated to amount to \$114.4 million for Saskatchewan alone. These figures are for operating the facilities and do not deal with the capital investment in such facilities.

**TABLE 7**

Estimated Numbers and Types of Sports Facilities in Saskatchewan  
(Excluding Educational Institutions and Private Facilities)

Type	Total	Non-Urban	Total
Ice arenas	3	2	3
Curling rinks	1	1	1
Gyms and halls	1	1	1
Swimming pools	1	1	1
Ball diamonds	76	8	78
Soccer, football	1	1	1
Tracks & field	1	1	1
Golf courses	1	1	1
<b>Total</b>	<b>319</b>	<b>283</b>	<b>3,141</b>

Source: *The Economic Impact of the Sports and Recreation Industry in Saskatchewan*, KPMG Peat Marwick Stevenson and Kellogg.

The Recreation Facility Association of British Columbia estimates that there are more than 5,000 people working in recreation facilities, for an approximate wage bill of \$20 million and other operating expenditures evaluated at \$75 million. This represents, however, a very small part of the overall number of sporting facilities in Canada. For example, the Canadian Curling Association estimates that there are approximately 1,200 curling facilities in Canada, each worth about \$1 million.

The economic value of public sporting facilities in Canada cannot be calculated because of insufficient data; nor is much information available on private sporting and recreation facilities.

Statistics Canada, as reported in Table 5, provides figures on the number of businesses primarily engaged in operating golfing facilities (1,267), curling clubs (133) and skiing facilities (248). Overall, there are 5,422 firms primarily engaged in sports and recreational clubs. This does not represent the total number of private sporting facilities for several reasons, since a firm may have many sporting facilities for its chief sporting activity; a firm may also be involved in the activities of another sport; and a firm may not be primarily engaged in sport and recreational activities, but may still operate some sporting facilities.

## Section 6: Globalization and International Trade

We have already mentioned the importance of athletes in promoting Canada abroad, but there is more to this concept. Each time Canadian athletes win a medal, the country as a whole gains in reputation, as do Canadian industries. Moreover, major sport events held in Canada, like the Olympic Games, Montreal Grand Prix, Canadian Open Tennis, Figure Skating Championships, and National Hockey League, Major League Baseball, and National Basketball Association games, all help to promote Canada as a world-class tourism destination, and give a higher profile to Canadian-based multinational companies.

With better access to television all over the world and the extensive coverage given to international sport events, sport is becoming more international and provides a fabulous window for the multinational companies who sponsor such events.

A concrete example is the success of Roots, a Canadian clothing manufacturer whose supply of clothing to the Canadian Nagano team has greatly broadened demand for its product worldwide, and particularly in the United States, where its phone has been ringing off the hook, almost literally, with requests from the U.S. to supply it with product. Its clothing is manufactured here in Canada, so the greater the demand, the greater the need for supply; and the greater the need for supply, the greater the need to fill employment positions at the manufacturing plant. It's as simple and straightforward as that, and that all arises out of the leverage they got out of supplying the Canadian team with their product in Nagano. (COA, Meeting No. 13).

Canadian companies need exposure in international markets and international sport is one of the best ways to reach people abroad. International games are



not only a means of demonstrating the athletic talent of a country but also its expertise in technological, commercial, and social matters. This has been grasped by Air Canada, a company that is involved in the international environment and will be the next main sponsor for the Montreal Grand Prix.

Sport sponsorship is quickly becoming an important way for companies to promote their enterprise or products. In North America, sponsorship represents approximately US\$6.8 billion. Canadian companies can be involved in sponsoring individual athletes or an entire Olympic team. An excellent example of a good relationship between business and an athletic organization is the association between Owens-Corning (formerly Fiberglas Canada, Inc.) and the Canadian freestyle skiing team. Owens-Corning began to sponsor the team in order to expand its product scope and the countries in which it was marketing. Sponsorship is a very inexpensive way for the company to promote its products (Amis, Pant, and Slack, 1997). Thus, when freestyle skiing became an Olympic sport and the team was successful at the 1994 Winter Olympic Games, the company gained international exposure.



## Section 7: Government Revenues

The economic activity created by the sport industry also contributes to the fiscal balance of all levels of government in Canada. Professional sport clubs have provided estimates on the amount of tax revenue they have generated for governments. Economic impact studies of major games hosted in Canada have also evaluated the tax revenues resulting from such events.

Professional sport makes a significant contribution to government treasuries. The six National Hockey League teams pay annually \$211.5 million in income and payroll taxes, property taxes and capital taxes. The SkyDome, where the Toronto Blue Jays play, pays \$7 million in municipal taxes mainly from the Blue Jays. In 1996, the Montreal Expos generated \$20.5 million in federal tax revenues and \$23.3 million in provincial tax revenues.

Economic impact studies of major games hosted in Canada also show the tax dollars generated for governments by such events. The Olympic Games in Calgary generated \$129.4 million in taxes for the federal government alone. The 1997 Canada Summer Games are estimated to have generated \$1.6 million for the province of Manitoba and an additional \$0.5 million for local government. Federal government tax revenues are estimated to be \$2 million. The 1999 Pan-American Games in Winnipeg are expected to generate \$22.8 million in tax revenues, of which \$11.4 million will go to the federal government.



## PART IV: SOCIAL AND CULTURAL ASPECTS OF SPORTS

Sport has always been pervasive in Canadian history and heritage. As part of our physical culture, sport contributes to the health, well-being and identity of individuals, communities and the nation as a whole. For the individual, sport is an activity of personal expression combining physical, mental and emotional components. For communities, sport activities become the hub of social interaction through volunteering, family involvement and participation in sporting events. For the nation, sport enables Canadians to feel a collective pride in supporting our athletes as they compete across the country and on the world stage.

Sport is manifested in many aspects of our culture. The sports section of the daily newspaper is the first read by many. Numerous Canadians begin their day with television sports reports or Internet scores. Sport is one of the most common metaphors used by Canadian business and sport is one of the few constant sources of Canadian heroes.

Canadians understand what sport provides to them — character-building, physical and moral development, healthier lifestyles, improved self-esteem and fun. Sport pervades Canadian life as part of our culture, economy, entertainment, educational system and leisure.

### Section 1: Ethics in Sport

**It is the essence of athletic competition that it should be conducted fairly in accordance with the underlying principles of ethics and**



CANADIAN CENTRE FOR ETHICS IN SPORT

**morality. That is what sport is all about. Based on such premises, there are valid and legitimate reasons to justify government involvement in and funding of sport.**

*The Commission of Inquiry into the Use of Drugs and Banned Practices Intended to Increase Athletics Performance, 1990.*

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As we approach the new millennium, Canada's amateur and professional sport community has acquired a sense of responsibility and public accountability for the development and delivery of fair and ethical sport. Canadians expect the institution of sport, as broad and diffuse as it may be, to adhere to high moral and ethical standards. From the physical and moral development of our youth to the presentation of our national character on the world stage, sport represents a powerful social, cultural and economic force in our society — a force over which the federal government and sport organizations, amateur and professional, must exercise diligent stewardship to ensure a positive, productive and healthy sport environment for all Canadians.

Ethics in sport is not a static state that is achieved with great fanfare and congratulatory rewards all round. It is in fact a dynamic state, which requires ongoing vigilance, analysis and action in order to deal with both situational ethics and sport policy issues. The integrity of sport is intimately tied to the integrity of society as a whole. Both the moral and the financial health of sport in Canada are matters of significant public interest. For instance, there is an unquestionable negative impact on sport from scandals and unethical conduct. There is increasing public cynicism and distaste for sport that lacks the kind of moral centre with which Canadians want to be associated. There is also a potential shift of interest away from organized sport because of concerns about morality and ethics. When the Canadian Health Monitor surveyed Canadians' attitudes towards drug use in sport in 1994, it found that 26% of respondents (parents) said that they would be "somewhat" or "very unwilling" to have their child participate in organized sport because of concern about drugs in sport. If sustained over time, withholding young people from sport undermines not only the economic health of sport, but also the value of sport to society. As part of our Canadian heritage, sport should therefore reflect, protect and promote the values and ethics Canadians expect from sport.

## Section 2: Sport Participation and Health Benefits

The sport and physical activity policies in most countries of the world are rooted in the belief that sport and physical activity can lead to a healthier population. That concept is not new and in fact goes back to ancient Greeks of the 5th century B.C. (Surgeon General, 1997). The emergence of the Canadian government's involvement in sport and physical activity in the early '60s can be traced, in part, to this same historical belief. Since that time, Canadians have discovered that being active and having a range of physical activities can contribute to personal and societal well-being. Sport, therefore, is but a small part of the physical activity continuum, which also includes play, fitness activities, recreational sport, organized competitive sport and high-performance sport.

There is growing evidence that establishes not only the link between physical activity and resistance to certain diseases, but also how much being active contributes to better health, improved physical functioning, and increased longevity. Canada realized long ago the benefits of being active. In 1995, 37% of Canadians were active, compared to 21% in 1981.

The recent drastic reorganization of health care systems in the country and Canada's ageing population have put health at the top of the agenda of all governments. Sport, in the context of physical activity, is the best way to achieve the objective of having a healthier population, physically and mentally. Promoting physical activity is an investment that increases the well-being of Canadians while reducing health care costs. This investment can bring very significant returns. According to the *Economic Burden of Illness in Canada*, the total direct cost (drugs, physicians, hospitals, research) of illness in 1993 was \$44 billion out of an overall cost for health care in Canada of \$70 billion. Moreover, the indirect costs such as time lost due to long-term and short-term disabilities, and the present value of future productivity lost due to premature mortality and illness in Canada represents an estimated economic value of \$129



billion, nearly 21% of the GDP. Reducing the number of inactive Canadians by a further 10% would result in an additional saving of \$5 billion.

Cardiovascular disease, the number one cause of premature death in Canada, claims the lives of 79,000 Canadians annually and costs the health care system over \$7.3 billion in direct costs and \$12.4 billion in indirect costs. In 1995, cardiovascular disease accounted for 294,000 lost years of potential life. Regular physical activity reduces the risk of high blood pressure, stroke, and coronary heart disease — the latter by as much as 50%. For ischemic heart problems alone, treatment of which costs the health care system \$2.3 billion annually, each percentage point increase in the number of people that are physically active (i.e. from 24.1% to 25.1%) would reduce annual treatment costs by \$10.3 million.

Cancer in Canada has an economic burden (of direct and indirect costs) of \$13.1 billion. Physical activity can reduce the risk of colon cancer by as much as 50%. There were 5,900 deaths in Canada from colorectal cancer in 1997 and an estimated 16,400 new cases. The treatment cost for colon cancer is \$255 million annually; each percentage point increase in the number of people who are physically active reduces the cost treatment by \$407,000. Research also shows that physical activity may protect women against breast cancer. Over 2,300 Canadian women died of breast cancer in 1997 with an estimated 18,400 new cases appearing in that year.

Eleven percent of Canadian women and men over the age of 65 suffer from diabetes, with the disease accounting for over 5,000 deaths annually. Diabetes resulted in over \$1 billion in direct and indirect costs in Canada in 1993. Physical activity can reduce the risk of developing non-insulin-dependent diabetes by as much as 50%. Diabetes is also a complicating factor in heart disease and stroke.

Some 25% of women over age 50 and 50% over age 70 will develop osteoporosis. Seven in ten fractures in those over the age of 45 are due to this disease. The risk of osteoporosis is reduced through regular physical activity during childhood and adolescence.

Arthritis affects over 4 million Canadians and is the leading cause of disability in more than 600,000. Musculoskeletal conditions including arthritis account for \$15.3 billion in indirect costs to the Canadian economy annually to which is added \$2.5 billion in health care costs. Regular physical activity improves functioning and relieves symptoms among people with osteoarthritis and rheumatoid arthritis and, in many cases, reduces the need for medication.

Physical activity affects body composition and weight favourably by promoting fat loss. Active individuals have a lower risk of being overweight. Obesity increases the risk of coronary heart disease, osteoarthritis, and various cancers. It also increases the risk of back injuries, which are a significant cost to industry. Over half of Canadians carry some excess weight and two-thirds of these are considered to be at probable health risk. Obesity in children and youth increased by over 50% between 1981 and 1988 alone.

Mental disorders account for over \$5 billion in direct costs to the health care system each year. In 1994-95 there were over 210,000 admissions to Canadian hospitals for mental conditions, accounting for almost 16 million days in hospital. Physical activity may help improve mental health and even prevent some mental health disorders by improving self-confidence, self-esteem and other psychological variables.

Physical activity is clearly associated with fewer symptoms of anxiety and depression, is a proven antidote to stress, and has a positive effect on mood.

The current Health Canada budget for fitness and active living is \$10 million (1998-99 fiscal year). Of this, \$2 million is distributed regionally through the Community Action Program for Children (CAPC) and \$8 million is administered by the Fitness/Active Living Unit. As a result of the implementation of program review, the Fitness Contributions Program (approximately \$7 million of the \$8 million administered by the Unit) was to have been terminated by the 1998-99 fiscal year. The Minister of Health has extended that deadline, maintained funding levels, and put in place a working group to study this situation and to make recommendations, including options on long-term funding of fitness and active living at the national level. The group is to report to the Minister by December 1998.



## Section 3: Youth at Risk

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While sport as a means of social intervention has not been widely promoted in Canada, there is growing evidence that sport programs may have an impact on youth at risk. Sport participation is no longer viewed as simply a means of keeping people busy. It is recognized as a support for the development of individuals, to help them gain a positive identity and overcome personal and social difficulties.

- A six-year study in Quebec showed that children who participated in five hours of sport per week had significantly higher marks than children who did not (Sport Nova Scotia, 1997).
- The likelihood that youth will never smoke is directly related to the level of physical activity. More than 80% of Canadians between the ages of 10 and 24 who are active have never smoked (Sport Nova Scotia, 1997).
- In Northern Manitoba, there was a 17.3% reduction in crime in communities with a sports program and a 10.6% increase in communities without a program (Sport Nova Scotia, 1997).
- Girls who are active in sports are 92% less likely to use drugs and 80% less likely to have an unwanted pregnancy (Sport Nova Scotia, 1997).
- It costs 100 times more to incarcerate a young person than it does to provide recreation programs (Sport Nova Scotia, 1997).
- During the gambling crisis in the Akwesasne Territory in 1990, the sport of lacrosse was used as a “healing” process to bring a very divided community back together (CLA, brief).

**PARTICIPATION IN PHYSICAL ACTIVITIES<sup>1</sup>, BY SEX<sup>2</sup>,  
1994-95**

Total Population (000s)	Total (%)	Males (%)	Females (%)
<b>In the past three months:</b>			
Walk for exercise	8.1	7.7	8.7
Swim	7.0	6.7	7.3
Bicycle	5.3	5.1	5.5
Home exercise	25.6	25.2	26.0
Ice hockey	1.1	1.0	1.0
Skating	1.1	1.0	1.1
Downhill skiing	0.7	0.7	0.7
Jogging or running	1.1	1.0	1.1
Golfing	0.7	0.6	0.8
Exercise class or aerobics	0.7	0.6	0.7
Cross country skiing	0.7	0.6	0.8
Bowling	0.7	0.6	0.8
Baseball or softball	10.1	14.0	8.1
Tennis	5.2	7.1	4.4
Weight training	0.7	0.6	0.7
Fishing	0.7	0.6	0.7
Volleyball	0.7	0.6	0.7
Yoga or tai chi	0.7	0.6	0.7
Other activity	0.7	0.6	0.7
No activity	0.7	0.6	0.7

(1) Respondents could participate in more than one activity. Participation rates are by activity.

(2) The survey year was from June 1994 to May 1995 and included respondents 12 years and older.

Source: Statistics Canada, 1998(b).



## PART V: RECOMMENDATIONS

**Because sports is so integral to who we are and who we want to be, sports' problems must be addressed collectively. Industry, government, the voluntary sector and ordinary Canadians must contribute to that discussion and collaborate on the solutions.**

*Molson Breweries, brief*

### Preamble

The findings of the Committee demonstrate that sport must be taken seriously in Canada. Government intervention is the best investment that can protect 262,325 jobs and use sport as a driving force to create many more. With an \$8.9 billion contribution to GDP (direct and indirect), sport has an economic weight greater than aircraft, wood, logging and forestry industries. Canada must take advantage of this dynamic economic force that affects all branches of the economy.

Sports have a direct impact on the manufacturing, wholesaling and retailing sectors and also on all national industries by providing ambassadors that can sell Canadian products internationally and gain world recognition for Canada's expertise. In the context of globalization of markets, Canada's success in international sport gives this country an asset that is worth a great deal.

The dynamism of our tourism industry, national and international, is directly linked to a strong sport sector; sport activity is involved in 26% of all person-trips taken by Canadians, 34% of American person-trips to Canada and 38% of international person-trips to Canada. Tourism represents 3.4% (\$29.2 billion)



of Canada's GDP, sport is a major contributor to tourism not only through people travelling in Canada, but also through the international visibility and promotion that are provided by international sport events hosted in Canada.

However, the major economic impact of sport on GDP, which is in itself huge, does not incorporate the most important assets that sport can bring to each Canadian: better health, well-being and self-esteem. While it is difficult to place a dollar value on this, it must be emphasized that illness is a burden on the Canadian economy, on public finances and, most important, on Canadians' quality of life. Government investment in sport will pay for itself many times over in reduced health care costs. Almost two-thirds of Canadians are not physically active enough to achieve critical health benefits through physical activity. Increasing the number of Canadians who are physically active is a proven approach to combating health care costs and can help ensure the long-term sustainability of the health care system.

Important work has already been done to show that between 1981 and 1995, the number of physically active Canadians increased by 16 percentage points. This improvement translates into a net benefit of \$9 billion due to lower costs related to health care, health insurance, sick leave, disability coverage, group life insurance, and lost tax revenue. More can be done, however, by encouraging sport and physical activity; a 10% reduction in the number of inactive Canadians would be worth \$5 billion.

Sport as practised by our hero-athletes, express the values of excellence, achievement, character and leadership. The noble values of sport must be protected and enhanced. In the final report of the Commission of Inquiry into the Use of Drugs and Banned Practices Intended to Increase Athletic Performance (1990), Justice Dubin noted how sport unifies Canadians, how it contributes to the health of our citizenry and the integrity of our society.

The conclusion drawn from Justice Dubin's report is that government investment in sport, justified as a matter of public interest, is only of value to society if sport is fair and ethical, and reflects the values and ethics of the nation.

As noted in the Minister's Task Force on Federal Sport Policy (1992):

Society's image and expectations of sport have changed. Sport is considered part of the cultural fabric of our society and, as such, has a significant impact on society. With a service to the public role, special tax status and a virtual monopoly, sport organizations are considered to hold a public trust for which they are responsible.

The infusion of public tax dollars into sport has added a greater sense of sport belonging to all Canadians. With the revelations of the Dubin Inquiry, the Canadian public expect sport organizations to act responsibly and model the values and moral and ethical conduct which should be communicated through the experience of sport.

The principle of sport as a public trust is fundamental to the notion of accountability in sport, especially where public funds are involved. This conclusion applies to sport at all levels, amateur and professional, and to ethical issues generally, whether they be about violence, sexual harassment or drug use in sport. It is imperative that this principle of public trust guide any and all initiatives designed to strengthen the Canadian sport system at all levels.



## Section I: High-performance Athletes and National Sport Organizations

### A. Context

The development of athletes in Canada relies on a decentralized system in which national sport organizations, communities, provinces and the federal government work together to provide the athletes with facilities, a human resource network and financial assistance. At the federal level, one aspect of Sport Canada's mission is "to support the achievement of high-performance athletic excellence as a means of stimulating pride in Canada and promoting Canadian identity at home and abroad..." (Sport Canada, brief). The federal government, through Sport Canada, also supports high-performance athletes through the national sport centres, operating grants for the national sport organizations and direct financial assistance for top-level athletes. Moreover, athletes and national sport organizations benefit from fiscal incentives provided through the Canadian tax system.

Athletes need not only financial assistance, but also a network which provides leadership, support, expertise and guidance. Coaches provide this sort of leadership; the athlete-coach relationship is essential for athlete development. Support for coaches is essential but, according to Athletes CAN, we have not been able to pay coaches, forcing them to pursue other careers; there are even sports where there are presently no coaches (Athletes CAN, Meeting No. 6).

Witnesses generally stated that the development of competent coaches is critical for the development of athletes. This is true for athletes at high levels, but it is also true at the developmental level. The Canadian Soccer Association told the Sub-Committee that the Oakville soccer club has a full-time coach who spends all his time working with the 265 coaches in that club to make sure they provide the right leadership to the boys and girls who are members (CSA, Meeting No. 17).



## 1. Sport Canada Funding

Table 8 shows Sport Canada funding in 1997-98 devoted directly to athletes and their development. Overall, \$34.2 million was directed to this area: \$6.7 million to athletes' financial support, \$19.4 million to national sport organizations, \$7.1 million to multi-sport organizations and \$1 million to national sport centres. In 1998-99, Sport Canada expenditures will decrease from \$64.9 million in 1997-98 to \$57.9 million.

**TABLE 8**

Program Spending Devoted Directly to Athletes and Athlete Development, 1997-98

Program Name	Total
Athlete assistance	6,650,000
National sport organizations	19,423,850
Multi-sport organizations	7,086,000
National sport centres	1,000,000
Canadian Sport and Fitness Administration Centre	1,130,000
<b>Total</b>	<b>34,904,650</b>
Sport Canada total budget	64,899,965

### a. Athlete Assistance Program

Sport Canada, through the Athletes Assistance Program, provides direct funding to qualified athletes of international calibre through a tax-free monthly living and training allowance. Tuition expenses may also be covered. The Athletes Assistance Program is not designated to cover an athlete's total expenses, however. Direct support to national sport organizations for national team training, coaching, and sport sciences complete the financial support available.

Athletes who qualify under the Athletes Assistance Program are then "carded" according to their level of international rank. Different card levels provide different levels of financial assistance:

**A cards (218 athletes, \$810 per month)**

**For consideration as A card athletes, individuals must meet the following standards at Olympic Games, Paralympic Games or World Championships:**

- Events limited to one entry per country: top four
- Events limited to two entries per country: top six
- Events with three or more entries per country: top eight (counting a maximum of three athletes per country)

**Athletes must also finish in the top third of the field.**

**B cards (113 athletes, \$685 per month)**

**For consideration as B card athletes, individuals must meet the following standards at Olympic Games, Paralympic Games or World Championships:**

- Events limited to one entry per country: top eight
- Events limited to two entries per country: top 12
- Events with three or more entries per country: top 16 (counting a maximum of three athletes per country)

**Athletes must also finish in the top half of the field.**

**C cards (373 athletes, \$560 per month)**

**C cards** are intended to support athletes with demonstrated potential to achieve A or B card status in Olympic events. C card criteria are negotiated between Sport Canada and national sport organizations and should whenever possible be based on objective results achieved in designated competitions.

**C-1 cards (220 athletes, \$435 per month)**

C-1 cards are probationary cards used during the first year an athlete has satisfied the C card criteria.

**Development (D) cards (9 athletes, \$375 per month)**

**D cards** are intended to provide support for young high-performance athletes who have demonstrated A card potential through outstanding international and domestic competitive results or other objective data and who have not yet achieved C card status to train in advance programs directly supervised and monitored by national sport organizations.

**I cards (17 athletes, \$560 per month)**

**Injury card**

**Training Centre (TC) Cards Criteria** (31 athletes, \$375 per month)

Like D cards, TC cards are intended for athletes who have the potential to achieve A or B card status. Certain athletes may qualify for TC cards if they are required to make a long-term commitment to a Sport Canada/national sport organization recognized high-performance sport centre.

**Reserve (R) Cards** (34 athletes, \$310 per month)

R cards are available to athletes in Olympic team sports who are members of the National A team training squad or who are a member of a Sport Canada supported Universiade or National B team.

**Junior (J) Cards** (6 athletes, \$185 per month)

J cards are available to athletes in Olympic team sports who make a significant commitment and contribution via their participation on the Junior National Team Program supported by Sport Canada.



According to *The Status of the High Performance Athlete in Canada* (Ekos, 1997), in 1995 A card athletes reported an annual income of \$29,690, B card athletes reported \$21,092, and C card athletes reported \$17,522. Athletes holding D, I, J and TC cards reported a range of personal income between \$8,680 and \$9,300. Athletes with R cards reported \$13,145 on average. Moreover, the average amount received by carded athletes from governments (Sport Canada and/or provincial financial assistance) was \$5,754 and the total sport-related income (including government support) was on average \$9,076. Non-sport-related income was on average \$10,634. Of the athletes who are currently carded, two-thirds are living on less than \$15,000 per year (Athletes CAN, Meeting No. 6).

**b. National Sport Organization Support Program and Multi-sport/Multi-Service Organization Support Program**

Sport Canada provides financial assistance to the national sport organizations and multi-sport/multi-service organization, which help athletes' development by financing the national team programming and the training of coaches and officials. Assistance is also provided for staff and coach salaries and the general operations of national sport organizations. Sport Canada finances 38 national sport organizations, 9 sport organizations servicing athletes with disabilities, 14 multi-sport/multi-service organizations and games organizations and 4 sport organizations that have a large youth participation base but a limited international component under the Domestic Sport Pilot (Sport Canada, brief).

Financial assistance to the national sport organizations is through the National Sport Organization Support Program. The Program is open to national sport organizations that exceed the eligibility threshold established under the Sport Funding and Accountability Framework as described in PART III, section 4. National sport organizations are assessed in three key categories: (1) In the high-performance category, a national sport organization's score is based on its high-performance system and on athletes' results. Factors relating to coaching, training, athlete monitoring, and athlete involvement in decision-making at World Championships and Olympics are also evaluated. (2) The sport development category includes athlete development, coach development and officiating. These factors are scored according to the national sport organization's membership, participation in national and provincial championships and the Canada Games, technical resources,<sup>3</sup> and certification of coaches and officials. (3) The management practices category is assessed according to a national sport organization's financial operations and service capacity in both official languages, as well as opportunities for women in the sport; for example, in membership, competitions, coaching and officiating.

Moreover, Sport Canada provides financial contributions, through the Multi-sport/Multi-Service Organization Support Program, to a number of organizations such as the Coaching Association of Canada and the Canadian



Centre for Ethics in Sport as a cost-efficient means of supporting the generic needs of the sport community. Other organizations that receive federal funding support include games organizations such the Canada Games Council, the Commonwealth Games Association of Canada, and the Canadian Interuniversity Athletic Union.

#### **c. National Sport Centres**

The Coaching Association of Canada, Canadian Olympic Association, Sport Canada and the provinces where they are located have entered into a partnership committed to creating a network of national sport centres across Canada. The centres' mission is to enhance the training environment for high-performance athletes, including those with a disability. The partners view this network as a major vehicle for enhancing the level and improving delivery of services for high-performance athletes and coaches. With a focus on coordinating access to and delivery of essential support services for athletes and coaches, centres, activity is intended to complement national sport organization programming in the pursuit of high-performance excellence. There are established centres in Calgary, Montreal, Victoria and Winnipeg and others are planned for Toronto and Vancouver in 1998 as well as in Atlantic Canada.

In January 1998, the Minister of Canadian Heritage, Sheila Copps, announced an additional \$10 million annually over a five-year period for sport in Canada. Of this annual amount, \$5 million will allow athletes to train and participate more often in competitions, particularly international events; approximately \$3.3 million will be used to train and hire the best Canadian coaches; and approximately \$1.7 million will go to the Athlete Assistance Program, allowing Sport Canada to provide direct support to 300 additional high-performance athletes.

#### **2. Other Sources of Funding**

The federal government has also implemented a taxation policy to respond to the financial needs of amateur athletes. Registered Canadian amateur athletic associations (RCAAs) recognized by Revenue Canada may give charitable donation receipts under the same conditions as registered charities. Thus, an

individual who makes a contribution to a registered Canadian amateur athletic association is entitled to a non-refundable 17% federal tax credit on the first \$200 of a gift and a 29% tax credit on any donation above that amount. Donations can now represent up to 75% of a taxpayer's net income. For taxpayers in all provinces except Quebec, which collects its own taxes, the combined rate of the federal and provincial credit is approximately 27% on a donation of less than \$200 and approximately 47% on any amount claimed above this figure (Domingue, 1996). For a corporation donor, the deduction is even more generous in that the entire gift may be deducted from taxable income. In 1995-96, 99 registered Canadian amateur athletic associations issued official donation receipts for a total amount of \$14.6 million. However, the 38 national sport organizations funded by Sport Canada issued receipts for only \$2.4 million and the 10 national sport organizations for athletes with disabilities issued receipts for \$0.8 million.

Since 1992, athletes have been able to create an amateur athletes' reserve fund in which their earnings as an athlete may be deposited. No tax is payable by the trust. The amount earned by an athlete is required to be held by a national sport organization registered as a Canadian amateur athletic association in accordance with the rules of an international sport federation, in order to preserve the athlete's eligibility to compete in a sporting event sanctioned by the federation. Any amounts paid to the athlete out of the trust are added to his or her taxable income.

Athletes can have other sport-related income from Canadian enterprises. The Ekos (1997) survey indicates that 44% of the carded athletes earn non-government, non-national sport organization sport-related income (e.g. professional athlete's salary, endorsement/sponsorships, appearance fees/prize money, athletic scholarships); these athletes receive on average \$6,498 annually.

## **B. Problems and Solutions**

According to Lori Johnstone (Chair of Athletes CAN), athletes believe they are not supported adequately, especially athletes whose sports do not receive



funding and are not part of the carding system or part of the Sport Funding and Accountability Framework. An income for an athlete of \$15,000 a year is quite inadequate. Moreover, there is tremendous pressure on athletes to perform and training costs are considerable (Athletes CAN, Meeting No. 6).

Witnesses from Non-Federally Funded Olympic Sports, Triathlon Canada and Athletes CAN expressed their disapproval of the present Sport Funding and Accountability Framework. Non-Federally Funded Olympic Sports report that the criteria are too restrictive and the approach to funding amateur sport is inconsistent. "There's been a de facto abandonment of non-core sports as well as failure to recognize the cyclical nature of high-performance sport" (NFFOS, Meeting No. 6). New Olympic sports, such as triathlon and snowboarding, are not receiving any funding at the moment, yet participation is growing and participants are enjoying increasing international success.

The impact of the Sport Funding and Accountability Framework on athletes is very important. According to Athletes CAN, athletes in sports that are not qualified for funding do not have access to the Athlete Assistance Program, which means they do not have access to tuition grants. Nor do they have access to other services and programs, or to the training centres, which, according to Lori Johnstone "is the way to train our athletes" (Athletes CAN, Meeting No. 6).

Implementation of the Sport Funding and Accountability Framework followed severe financial reductions at Sport Canada. Sport Canada reduced the funding from 60 to 38 core sports that are eligible for the full range of carding. Eight Olympic sports previously funded by Sport Canada no longer receive any funds. The problem that arises for Non-Federally Funded Olympic Sports is that the new system fails to recognize the cyclical nature of high-performance sport, which does not follow the four-year pattern of Sport Canada funding. Some sports that have been cut from federal funding, such as rhythmic gymnastics and shooting, won Olympic gold medals for Canada in the 1980s (NFFOS, Meeting No. 6). One of the most significant repercussions of the cuts has been the loss of professional support staff working from a national office; as a result, expertise developed in Canada in such fields is lost. "The coaches have left to work in Malaysia, Barbados or Europe because we weren't able to keep them.



We paid to train them and now that they are trained we can no longer keep them" (NFFOS, Meeting No. 6).

A tax incentive program for parents with a dependent child who is a high-performance athlete would allow such parents to receive a tax credit for the expenses incurred in developing the potential of their child. The **high performance sport tax credit** would apply to parents with children who are nationally or internationally ranked by a recognized sport federation and would cover such expenses as participation in national or international competitions, equipment and training fees (coaching and support staff, clubs fees and equipment rental). The **high performance sport tax credit** would be subject to a non-refundable tax credit up to \$1,000 or total expenses up to \$5,882 per child per year. No income threshold would have to be met to be eligible for this tax credit. Moreover, the tax credit would also apply to the athletes themselves if they were not considered as dependent children. The tax credit would cover around 4,000 athletes and cost the Government of Canada approximately \$4 million.

Therefore, in recognition that role models, exemplified by Canada's Olympic and Paralympic medallists, are an excellent means of encouraging participation in sport.

**The Committee recommends that:**

**The government continue its policy and funding support for amateur sport generally. Specifically, and repeating a recommendation from the 1992 Minister's Task Force on Sport Policy, the federal government should provide a substantial federal commitment to and support for the future of sport in Canada over the long term, in keeping with its current and potential contribution and benefits to Canada.**

**Those responsible for administering federal funds ensure that all organizations in receipt of government funding for sport**

meet specified ethical standards. Ethical criteria for the funding or support of professional sports should be the same as ethical criteria for the funding of amateur sport, including provisions for drug-free sport.

The federal government continue to support and fund the Canadian Centre for Ethics in Sport, an independent agency responsible for the promotion, monitoring and evaluation of ethics in sport, including stable and sufficient funding for Canada's drug-free sport program. That part of a national strategy for ethics in sport include the establishment of an ethics-in-sport legacy to ensure the necessary independence, stability and sustainability of Canada's ethics in sport program.

The number of national sport organizations eligible for federal funding be increased. (A minimum funding level of \$100,000 per year would allow national sport organizations representing Olympic sports to provide a basic level of service to their athletes and maintain a limited program.)

The carding eligibility requirements be changed to provide funding to all qualified national team athletes regardless of the funding status of the national sport organization.

National high performance training centres allow access to non-carded national team athletes.

The Government of Canada support the continuing development of high-quality coaching in Canada through programs like the National Coaching Institute and set up a longer-term coaching endowment of \$5 million to ensure stability within coaching.

The Finance Department examine the possibility of creating a

**non-refundable high performance sport tax credit to help parents to meet the significant expenses associated with the development of high-performance athletes.**

#### **Estimated Costs of the Recommendations**

- A minimum funding level of \$100,000 per year for the 10 Olympic sports organizations not currently funded would cost **\$1 million** a year.
- The carding eligibility requirements recommendation would cost around **\$650,000** annually, based on the average number of 10 carded athletes per national sport organization, receiving an average annual allocation of \$6,500 in 10 national sport organizations.
- The **high performance sport tax credit** would cost up to **\$4 million** a year.
- The endowment fund for coaching would cost **\$5 million** yearly.



## Section 2: Sponsorship

Sport sponsorship can be defined as a cash or in-kind fee paid (typically in sports, arts, entertainment or causes) in return for access to the exploitable commercial potential associated with the program or event. Sponsorship should not be confused with philanthropy, which generally supports a cause without having any commercial expectation.

While sponsorship can include media extensions such as TV broadcasting, sponsorship is not advertising. Advertising is the direct promotion of a product or company through space or TV air time bought specifically for that purpose. Advertising is therefore quantitative since it is sold and measured in terms of cost per thousand impressions. Sponsorship, on the other hand, is a qualitative medium since it promotes a company associating itself with an event or cause.

Sponsorship spending in North America for 1998 is projected to be \$6.8 billion. This estimate is for sponsorship rights only and does not include additional expenditures for advertising, promotion or client entertainment, nor does it include philanthropic contributions. In the Canadian context, a study conducted in 1988 estimated that Canadian corporations expended \$1.2 billion in donations, sports-related advertising and sponsorship of amateur sport events.



Since the early 1990s, growth in sponsorship spending has consistently outpaced spending in the more traditional means of advertising and sales promotion. This growth can be attributed to several factors. First, sponsoring companies can connect with their customers in ways that traditional advertising cannot. In addition, the fragmentation of traditional media means that ratings and readership are declining all the time. Finally, changes in social priorities have led to a realization that the needs of society and the interests of business can overlap. When a company sponsors something, it provides a benefit for its customers beyond simple advertising.

Companies sponsor a number of types of properties. In a 1997 *Financial Post* Top 400 Canadian Companies Survey, 78% of respondents supported social and cause-related properties. Sport sponsorship remains one of the most stable areas

with some 70% of responding companies reporting such investment. Arts/culture/entertainment sponsorship was supported by 62% of respondents. Finally, support for partnerships with government agencies stands at 38%. From an investment standpoint, however, North American estimates suggest that sport properties account for 65% of sponsorship spending, compared to 9% for festivals and fairs, 9% for causes, 6% for the arts and 11% for entertainment tours and attractions (Source: IEG, 1997).

### **Who sponsors in Canada:**

#### **The top 12 sponsor categories in Canada, according to IEG consulting, are:**

(1)	Travel—airline	28.0%
(2)	Automotive—cars	27.7%
(3)	Beverage—beer	25.0%
(4)	Financial services—bank	20.7%
(5)	Telecommunications—local	19.6%
(6)	Media and publishing	16.3%
(7)	Beverage—soft drink	15.8%
(8)	Computers and info.systems	14.7%
(9)	Tobacco	12.0%
(10)	Fuel	10.3%
(11)	Retail—supermarket	10.3%
(12)	Telecommunications — cellular	10.3%

The above ranking relates to the percentage of Canadian properties with a sponsor in the particular category as opposed to overall spending.

Despite the growth of sport sponsorship, significant challenges continue to face event properties and sport organizations alike in their self-financing efforts: the lingering effects of a major recession, ferocious competition among sport and non-sport properties and the proliferation of private businesses specializing in sport events and properties that have captured the most lucrative activities, leave sport organizations to support the less profitable sectors. Despite these challenges, the organized amateur sport system has demonstrated its ability to



develop alternative funding sources. However, it must also be recognized that a national or provincial sport organization's ability to fund itself has its limits.

After exploiting all the currently available options (increased dues and participation fees, organization and development of fundraising activities, soliciting and association with commercial partners and sponsorships), the sports community has now reached the saturation point in its search for alternative funding. Volunteers and permanent employees of sports organizations must devote increasingly large amounts of their time to fundraising and less to the actual delivery and coordination of their sport.

Consider the example of European or Asian countries where sport is part of the business culture. Companies directly train sports teams or provide financial support to federations or top-level athletes. In return, they receive tax benefits in addition to the benefits of media coverage. Canada would do well to analyze these models in greater detail in order to encourage Canadian companies to invest more in the sports system. In the context of strong competition, compounded by the disappearance of certain sponsoring industry sectors (tobacco sponsorships), self-funding efforts have reached a critical threshold and have very marked negative effects on volunteers, such as withdrawal, demobilization and saturation. This phenomenon is serious because the sports system relies first and foremost on its volunteer resources. Although the professional sports community can afford to offer its investors all the visibility they request, this is not true of the amateur sports community, where such demands increase the financial and administrative workload.

An incentive program allowing small businesses to deduct 150% of their sponsorship expenses would help small companies such as Joe's Plumbing and Louis' Garage to promote their enterprises via sport events. Such a program would generate the injection of new dollars into sport.

**The Committee recommends that:**

Amateur sport sponsorship be encouraged by allowing, for a two-year period, a 150% tax deduction (currently 100%) for small business corporate sponsorship.

A sport marketing advisory board be created to promote sport sponsorship.

**Estimated Costs of the Recommendations**

- Further evaluation by the Department of Finance should be undertaken to establish the cost.



## Section 3: Sport Facility Infrastructure

Amateur sport infrastructure plays an important role in developing athletes but also forms the backbone of the sport recreational industry. The federal government has been active in the development of facilities for hosting major games and the Canada Games but, there is no consensus among witnesses on the need for new amateur sport infrastructure in Canada.

According to the Canadian Olympic Association (COA), there are already a lot of facilities across Canada, some of which cannot be maintained. The problem is finding the operating dollars to maintain these facilities. The COA believes that better use should be made of the infrastructure currently in place (COA, Meeting No. 4).

In its brief, NetStar claimed that the development of first-class facilities for training our athletes is critical. National sports centres such as the speed skating facility in Calgary have already proven their value in the recent Olympic Games results (TSN, Meeting No. 8).

According to the Canadian Soccer Association, soccer in Canada suffers from the lack of indoor and outdoor game facilities. The holding of international matches for the men's World Cup team is restricted to Varsity Stadium in Toronto or Commonwealth Stadium in Edmonton. This simply does not allow the team to be promoted properly or create the interest necessary to increase fan support (CSA, Meeting No. 17).



Canada Games | Jeux du Canada

**The Committee recommends that:**

The Government of Canada, in conjunction with provincial and municipal governments, undertake a sport facility infrastructure program to improve and increase the number of facilities; this will encourage growth at the grassroots level and allow for the staging of high-level and profitable international events. Federal maximum contribution for the whole program should be capped at \$100 million.

**Estimated Costs of the Recommendations**

- The sport facility infrastructure program would be capped at \$100 million.



## Section 4: Canada Lands

Canada Lands Company is a Crown corporation that has been established to manage and create value from certain federal properties on behalf of the Government of Canada. As part of its mandate, Canada Lands' provides prime investment property opportunities through the sale, improvement or development of surplus federal properties.

Represented by professionals experienced in marketing, sales and property management, the entrepreneurial approach to real estate ensures tremendous benefits for both the communities the Company serves and the Government of Canada.

Canada Lands is a self-financing independent Crown corporation that exists at arms' length to the government. Above and beyond its primary goals of realizing the maximum potential of federal holdings through timely sales and creative development, Canada Lands also manages a number of profitable and prestigious properties.

Although Canada Lands operates independent of government funding, all transactions undertaken by the Company are subject to compliance with Government of Canada policies regarding the environment, heritage and First Nations.

By bringing non-productive land into productive use, Canada Lands delivers a wide range of long-term economic benefits from all of the Corporation's development and revitalization projects. A major priority at each location is to maximize the economic benefits to each of the local communities in which Canada Lands is creating value.

Job creation is always an economic goal, and most of the Corporation's major projects create both significant short and long-term employment opportunities.

First, there is considerable employment generated in the planning and pre-development stage of project development.



Second, major short-term employment opportunities are created in the construction phase. Already, projects initiated by Canada Lands will lead to over 100,000 person-years of employment.

Finally, there are the permanent jobs created on the properties that the Corporation brings into productive use — an estimated 25,000 permanent jobs — directly, in the Corporation's business parks, entertainment facilities and other new residential neighbourhoods, and indirectly, from the increased economic activity in local communities.

The greatest economic impact is found through bringing lands into productive use — for industrial, commercial, residential or recreational purposes, Canada Lands attracts private sector investment and activity — that contribute to growth in the community and region, local employment and Canadian business competitiveness.

Canada Lands also helps to broaden the economic and employment base of the community. Many of the projects have diverse uses and have attracted high-technology business, film and television, educational institutions, recreational and municipal facilities, and residential development. These businesses in turn enhance the economic prospects of the property, and of the local community.

**The Committee recommends that:**

**All real estate properties sold by Canada Lands Company stipulate that a fixed percentage of the property (20%) be allocated for recreational use and that the purchaser make a commitment to developing and operating such recreational facilities.**

## Section 5: Hosting Major Sport Events

The hosting of major sport events contributes significantly to the vitality of sport in Canada in terms of both athletes' development and economic spinoffs. Canada has an enviable record of hosting both major multi-sport events (i.e. Olympic Games, Commonwealth Games, Canada Games), and single-sport championships (World Canoe Championships, World Cup Ski events). Staging these events on Canadian soil generates significant economic activity and provides valuable training for volunteers, and sport management and improved training programs for athletes. The successful hosting of major sport events also contributes to increased community confidence and pride. Canada's progress in international sport competitions and related funding can be readily traced to the hosting significant level events in Canada over the past 30 years.

### The Committee recommends that:

**Canada bid for one major multi-sport games (Olympics, Commonwealth Games) or significant single-sport event (World Cup of Soccer, World Hockey Championship) in each decade in keeping with our proud history of staging multi-sport events. Moreover, provided Canada meets the Federation Internationale de Football Association (FIFA) requirement of 9 stadiums of 50,000 places with natural grass, the Government of Canada should strike a Sub-Committee for determining the viability of developing a bid to host the FIFA World Cup in 2010.**



**Sport Canada examine the possibility of increasing the frequency of hosting the Canada Games.**

**The Government of Canada continue to play a strong role in the Canada Games program and should encourage continued funding and policy support, in view of the role of the Games in advancing public policy.**

**Estimated Costs of the Recommendations**

- The additional cost of these measures should be further analyzed.



## Section 6: Encouraging Accessibility of Sport and Physical Activities

Developing mass participation in sport by Canadians is one of the best ways to achieve our social and economic objectives on the eve of the next millennium. Developing sport participation among youth would help to develop not only a healthier population but also develop better potential for this growing human resource. The growing evidence that sport programs have an impact on youth at risk calls for the development of coordinated initiatives.

Participating in sport in the early years of life increases the chance that this healthy lifestyle will continue in adulthood. Nowadays, health is seen as building social and personal resources as well as physical capabilities. Participation in sport and physical activity can be shown to prevent disease.



More active Canadians imply lower health care costs, lower costs due to absenteeism, a more productive population and a lower crime rate. The consumerism associated with the practice of sport and physical activity will lead to a greater vitality for Canada's sporting goods manufacturers and the overall sport services sector, and more jobs for Canadians.

### A. Sport Development Fiscal Incentive

Recognizing the tremendous social impact of sport in Canada, witnesses would like to see more fiscal incentives for putting financial resources into all levels of sport development. More financial resources would mean more ability to develop sport in Canada, from the grassroots to the top level, as well as potential increases in the market for equipment. Many witnesses suggested the introduction of tax incentives to encourage both private donations to sport organizations and volunteer involvement. Current tax provisions allow charitable tax deductions for contributions made to registered Canadian amateur athletic associations but these are restricted to national level sport bodies. There are approximately 99 such organizations in Canada.

One initiative that would encourage families to purchase sporting equipment and to register their children in a local sport organization is the **child sport tax credit**. This credit would apply to family expenditures related to equipment expenses and the registration of children in public and private clubs recognized by Revenue Canada and amateur sport programs affiliated with national sport organizations. These expenses would be subject to a non-refundable tax credit of up to \$1,000 per child or a total expense up to \$5,882. Families with an annual income of \$75,000 or less and with children between the ages of 8 and 16 would be eligible. Tax credits would be determined on the basis of the number of children and family income. Families with an income of \$45,000, \$55,000 and \$65,000 and less with one, two and three or more children respectively would receive the full tax credit. The tax credit would gradually decline for families with one child and incomes between \$45,000 and \$55,000, families with two children and incomes between \$55,000 and \$65,000 and families with three or more children with incomes between \$65,000 and \$75,000. The tax credit would not be available to families with one, two and three or more children with a family income exceeding \$55,000, \$65,000 and \$75,000 respectively.

In Canada, there are roughly 2.1 million children between the ages of 8 and 16 who are eligible for the credit as defined above. If all eligible parents would claim the maximum **child sport tax credit**, the total cost would be around \$2.1 billion. However, according to *Family Expenditure in Canada 1996* (Statistics Canada), average annual expenses for use of recreation facilities<sup>4</sup> come to \$281 and \$190 for sporting equipment, and 60% of Canadian families have such expenses, of which only a portion would be eligible for the credit. In addition, families earning less than \$25,000 spent a lot less in this area than did wealthier families. Assuming that 60% of families would claim such expense, the cost to the federal government would range between \$43 million (assuming an average claim of \$200) and \$86 million (assuming average claim of \$400).

### The Committee recommends that:

Eligibility for charitable tax deductions be extended to qualified provincial/territorial level not-for-profit sport organizations.

The Finance Department examine the possibility of creating a non-refundable child sport tax credit to encourage parents to register their children in local sport and recreational programs, and help alleviate the cost of sport equipment.

The Finance Department examine the possibility of creating a non-refundable tax credit for annual fees up to \$1,000 paid by volunteers in taking coaching, officiating or first aid courses connected to amateur sport.

#### Estimated Costs of the Recommendations

- The tax deductions for the qualified provincial/territorial level not-for-profit sport organizations could cost as much as the charitable tax deduction for national sport organizations.
- The **child sport tax credit** would cost approximately **\$50 million**.
- Tax deductibility for coaching, officiating and first aid courses for volunteers could cost about **\$2 million**. There are 188,000 registered coaches in Canada, assuming that 25% follow courses annually at an average cost of \$250 would give an average tax credit of \$42.50.



## B. School Sport

The Canadian school system should represent the cornerstone of any strategies aimed at developing and increasing sport participation in Canada. Through the education system, almost all young people are introduced to sport in an environment that can offer a wide range of sporting experiences. School sport is part of a high quality physical education program, equipping young Canadians with knowledge, basic skills and positive attitudes to sport. The physical activity thus acquired may result in a lifetime of active participation in physical activity and sport (CAHPERD, brief).

However, according to the Canadian Association for Health, Physical Education, Recreation and Dance (CAHPERD), physical education and sport are undervalued in the Canadian educational system. Most children do not receive enough physical education per week. In most secondary schools physical education is now an optional subject after grade nine and the number of physical education specialist teachers, supervisors and consultants have been reduced. (CAHPERD, brief).

Another problem is the lack of coordination, co-operation and collaboration between the school, the community and the sports club system in Canada. As a result, the Canadian Association for Health, Physical Education, Recreation and Dance find that: (1) there are parallel and duplicated coaching, facilities and game schedules; (2) participation in club sport teams often prevents athletes from being on school teams; (3) cost and access to club teams can be an inhibiting factor for young athletes; and 4) schools generally have excellent facilities that could be offered to community and club teams but, are often not available for use by these teams (CAHPERD, brief).

## C. University Sport

The Canadian Interuniversity Athletic Union (CIAU) is the national sport organization responsible for governing interuniversity sport in and for Canada. Its mission is to enrich the educational experience of student athletes through



sports programs that foster excellence. There are 47-member universities, set up in five conferences (Canada West Universities Athletic Association, the Great Plains Athletic Conference, Ontario University Athletics, Quebec Student Sports Federation, and the Atlantic Universities Athletic Association). There are about 10,000 student athletes across Canada, competing in over 3,000 competitive opportunities in sporting events over a five-month period. There are 15 national championships staged in Canada every year: men and women in basketball, cross-country running, football—the Vanier Cup—field hockey for women, ice hockey for both men and women, soccer for men and women, swimming for men and women, track and field for men and women, volleyball for men and women, and wrestling.

The CIAU is also significantly involved in drug control and education. Since 1990 over 2,250 tests have been conducted with positive tests of less than 1%. There have been 20 positive tests in 8 years. The CIAU is one of the few sport-governing bodies that have a mandatory drug education program. All student athletes are provided with drug education material at their respective universities.

At the international level, the CIAU participates in the International University Sports Federation Games, which are held every two years. Five thousand athletes and 160 countries take part in them. In terms of coaching, the CIAU provides more professional coaching opportunities than any other national sport organization, and a high percentage of the coaches are certified at level 4. There are about 1,500 coaches in 33 sports. In some sports, such as basketball, football, field hockey, and wrestling, the national championships and programs are considered the primary participation opportunity for Canadians competing at the high-performance level.

Many universities are sites for high-performance centres, such as volleyball in Winnipeg and speed skating in Calgary. Interestingly enough, 380 of the 900 federally carded athletes attend Canadian universities in an Olympic year. This number would be 50% in a non-Olympic year. Many carded athletes attend school in Canadian universities.

The CIAU's total operating budget is close to \$2.27 million. Of that, \$455,000 or 20% comes from Sport Canada.



At this point, the CIAU does not allow athletic awards for students entering university from high school. The only exception is for an entering athlete who has an average of 80% or greater, who may receive an academic scholarship with an athletic component. There are currently 1,787 Canadian athletes on scholarships in the United States. In men's ice hockey alone there are 535; men's football, 119; men's track, 97; men's soccer, 95; men's tennis, 86; women's track, 82; men's golf, 81; women's volleyball, 79; men's baseball, 65; women's soccer, 56; women's basketball, 49; men's swimming, 47; women's tennis, 46; and men's basketball, 44. In June 1998, a decision was made to not pursue the introduction of athletic awards in Canada and discussions are continuing.

**The Committee recommends that:**

**The Government of Canada recognize the valuable role schools play in the grassroots development of sport in Canada.**

**The Government of Canada continue to endorse the program "Quality Daily Physical Education" of the Canadian Association for Health, Physical Education, Recreation and Dance.**

**School sport programs be expanded to encourage the participation of more students, regardless of gender, economic status and ability.**

**The Government of Canada work with the provinces/territories and the Canadian Interuniversity Athletic Union to develop a system of student awards for athletes to support post-secondary athletes attending Canadian universities or colleges.**

### Estimated Costs of the Recommendations

- To be established in light of the particular program.

#### **D. Women in Sport**

Substantial effort is still needed to increase the participation of girls and women in sport. Physically active girls and women are less susceptible to such disabilities and killing diseases as cardiovascular disease, osteoporosis, breast cancer, colon cancer, obesity, depression, adult-onset diabetes and hypertension (Canadian Association for the Advancement of Women and Sport and Physical Activity, brief).

About one-half of the male population (52%) and roughly one-third (38%) of the female population participate in regular sport activity. Of the 32 sports included in the General Social Survey, 1992, only 6 were dominated by female participation (Statistics Canada, 1998). Moreover, the National Population Health Survey showed that more females than males did not participate in athletic activity (8.7% for female and 8.0% for men). Moreover, compared to young men, young women have a higher drop-out rate and lower registration in elective physical education classes (CAHPERD, brief).

The vitality of the sport sector in Canada and the health and wellness of Canadians must include strategies that specifically target females. There is a need to increase the number of female coaches, who represented only 29% of all coaches in Canada in 1992. Strategies must be put in place to improve the sport development structure, to make sport safer for girls and women and to encourage them to take their place in the sport system in Canada.

#### **The Committee recommends that:**

**The Government of Canada use the infusion of \$50 million into Canada's sport system to benefit underrepresented groups, in order to ensure that opportunities for girls and women are on a par with those for boys and men.**

**The Government of Canada establish a tracking system to ensure that a fair portion of the new funding does in fact reach the targeted underrepresented groups.**

**The Government of Canada continue to collect gender-based statistics through the initiatives noted above; that a verification process be established to ensure the accuracy of the data; that additional funding incentives be provided to those sport organizations which deliver equitable services, and that penalties be assessed against those that do not.**

**The Government of Canada, as a major funder of the new system of national sport centres, enact three criteria for ongoing funding; significant representation by women on the boards of directors; programming that serves the unique needs of women and the other underrepresented groups; and higher numbers of apprenticeship and employment opportunities for women coaches.**

**In support of Canada's hosting of the 2002 World Conference on Women and Sport, that the Government of Canada involve other government departments, especially those concerned with women's health, violence against women, and human rights; and that a financial legacy in the form of grants and scholarships to girls and women be established.**

**The Government of Canada build on the initiatives begun in January 1997 to eradicate harassment and abuse from Canadian sport, and continue to support activities that make sport safer and more accessible to girls and women.**

**The Sport Facility Infrastructure Program be developed to ensure accessible programs that encourage participation and provide "catch-up" funding for girls and women.**



The Government of Canada offer a program of incentives or tax breaks to Canadian manufacturers that develop, market, and export female-friendly equipment.

#### Estimated Costs of the Recommendations

- The tax breaks to sport manufacturers could be limited to a cost of \$10 million for the Government of Canada.
- Other recommendations would be nearly **costless**.

#### **E. Sport for People with Disabilities**

One of the biggest attitudinal obstacles to be overcome by people with disabilities is the myth that they cannot participate in physical activities, especially in sports (*Obstacles*, 1982). This 1982 House of Commons report encouraged the federal government to emphasize accessibility in all of its sports-related policies. The Minister's Task Force on Federal Sport Policy (1992) stressed the need to include athletes with disabilities in all aspects of the sport system, and to encourage sport organizations for people with disabilities to be encouraged to broaden their emphasis beyond a high-performance focus to include the broad participation of such persons in sport.

The Committee agreed that more has to be done to increase accessibility in the Canadian sports and physical activities system.

#### **The Committee recommends that:**

**Further steps be taken to encourage the integration of disabled persons into sports-governing bodies.**



## F. Aboriginal People and Sport

As has been repeatedly stated, Aboriginal people have a poverty rate comparable to that found in developing countries, an unemployment rate among adults of almost 25%, a poorly educated population and a dramatic suicide rate, which among 10-19 year-olds is more than 5 times higher than that of their non-Aboriginal counterparts. More is needed to help this community and sport development and physical activity may not be the top priority. Forty-four percent of Aboriginal people smoke daily, 61% report problems with alcohol abuse and 48% report problems with drug abuse. Sports and recreation activities may play a positive role in strengthening the emotional, mental, physical, and spiritual aspects of Aboriginal life. Sport and physical activities may act to counter alcohol and drug abuse, and other addictions.

The Aboriginal Sport Circle states that there are certain priorities for Aboriginal sport development: (1) Aboriginal Coaching Development; (2) North American Indigenous Games; and (3) national/provincial/territorial Aboriginal sport bodies. For the Aboriginal Sport Circle, the professional development of coaches has quickly become the cornerstone of the emerging Aboriginal sport delivery system (Aboriginal Sport Circle, brief). There is a need to increase the accessibility of the National Coaching Certification Program for the remote Aboriginal communities. Moreover, there is a need to design a National Coaching Certification Program for Aboriginal coaches that will better reflect Aboriginal realities and culture. In addition, more Aboriginal instructors should be trained to improve the accessibility of the National Coaching Certification Program in remote reserves.

The North American Indigenous Games is the primary vehicle for Aboriginal youth sport development at the grassroots to provincial/territorial levels. It is a culturally appropriate competition venue in which a large number of junior Aboriginal athletes can express and enhance their cultural heritage. Moreover, these Games provide the opportunity for Aboriginal athletes with high-performance potential to improve their skills in readiness for the Canada Games



team selection trials. However, there are no funding mechanisms supporting the North American Indigenous Games.

The national/provincial/territorial Aboriginal sport bodies is an intrinsic component of the Aboriginal sport delivery system. However, of the 13 regions represented on the Aboriginal Sport Circle, there are only 6 operational bodies with 2 additional bodies currently being formed. Only three Aboriginal sport bodies receive core operating funds from their provincial governments, and one receives partial program support.



**The Committee recommends that:**

**The Government of Canada, as recommended in the Royal Commission on Aboriginal Peoples, establish and fund an Aboriginal sports and recreation advisory council to advise all levels of government on how to best meet sports and recreation needs in Aboriginal communities.**

**The Government of Canada, in collaboration with provincial/territorial governments, the Coaching Association of Canada and the Aboriginal Sport Circle develop funding strategies and technical support to increase the accessibility of the National Coaching Certification Program and to develop a certification program more in touch with Aboriginal realities and culture.**

**The Government of Canada work with the provinces, territories and the Assembly of First Nations to develop a funding framework for the North American Indigenous Games.**

**The Government of Canada work with the provinces and territories to assure adequate funding for the Aboriginal sport bodies.**



## Section 7: Professional Sport

### A. Context

Professional major league sport is part of the Canadian cultural landscape and also a major player in the Canadian economy. There are six National Hockey League (NHL) clubs, two Major League Baseball (MLB) clubs, two National Basketball Association (NBA) clubs and eight Canadian Football League (CFL) clubs. The continued existence of some professional franchises and the future of the Canadian Football League are under threat today.

#### 1. National Hockey League

The National Hockey League includes 26 teams, 6 of which are in Canada: Montreal, Ottawa, Toronto, Calgary, Edmonton, and Vancouver. In the past six years, five new National Hockey League franchises have been added and, by the 2000-01 season, four additional teams will join. As a result, the number of National Hockey League teams will have increased by nearly 43% in 10 years. Although the National Hockey League is rapidly expanding, the number of teams in Canada has dropped from eight to six since 1992-93.



Montreal, Ottawa, Vancouver (and soon Toronto) teams play in new modern arenas. The arenas in Vancouver and Toronto are shared with the local National Basketball Association teams, the Grizzlies and the Raptors. These arenas were built with very little, if any, public funding. Stadiums were central to the financial problems experienced by the Québec Nordiques and the Winnipeg Jets when they were sold to owners who moved these franchises to the U.S. According to their owners, these two teams could not become profitable unless new stadiums were built—an impossibility without public funding—and, even with new stadiums, could not be guaranteed to turn a profit. The 6 remaining Canadian teams have reported combined losses before taxes of \$85 million, and it is projected that their combined losses for the 1997-98 season will exceed \$95 million (NHL brief).

As a result of the difficulties experienced by Canadian-based teams, the National Hockey League initiated two programs to alleviate the competitive disadvantages faced by the Canadian clubs. The first is the "Group 2 Equalization Plan," which establishes a fund for Canadian teams designed to enhance their ability to match offers made by U.S.-based teams to "Group 2" restricted free agents. Payments out of the fund offset the difference in exchange rates between Canadian and U.S. dollars. The second program is the "Supplementary Currency Assistance Plan" (CAP), which provides subsidies to Canadian teams whose revenues fall below the League's median. Since the introduction of the CAP, Calgary, Edmonton and Ottawa franchises have shared \$17.6 million in funding (NHL, brief).

## **2. Canadian Football League**

Football is a longstanding tradition in Canada. The first documented game was played in Toronto in 1861. In 1891, the Canadian Football League's forerunner, the Canadian Rugby Union, was founded in Montreal from a merger of the Quebec and Ontario Rugby Unions. The Canadian Football League as we know it was founded in 1958.

In the 1997 season, the Canadian Football League had nine teams, from Vancouver to Montreal. That same year, following a number of years of financial instability, it turned a profit of over \$4 million. Generally speaking, however, there is a gap between the financial soundness of the profitable Western Division teams and money-losing Eastern Division teams.

Following the 1998 withdrawal of the Ottawa franchise for financial reasons, the Canadian Football League has teams in only eight cities. Even so, it has never been more optimistic about its future. Its short-term priority is the financial stability of the present eight teams, particularly those in the Eastern Division; in the longer term, it expects to have a team in Ottawa again and to add a tenth team, possibly in Halifax. The threat of seeing the National Football League (NFL) in Toronto has somewhat disappeared but the arrival of an NFL team in that city could spell the end for the Canadian Football League Eastern Division.



### **3. Major League Baseball**

Canada has two Major League Baseball teams, the Montreal Expos, in the National Baseball League (since 1969) and the Toronto Blues Jays, in the American Baseball League (since 1977). On the eve of their 30th anniversary, the Expos are in a difficult situation. The high salaries of Major League Baseball players require more and more revenue at a time when fewer and fewer fans are coming out to Expos games. According to the Expos' directors, the team needs a new stadium if it is to increase its revenues. New stadiums have proven helpful to teams in a number of United States cities with small markets. A fundraising campaign is now under way to raise the money needed to build a new stadium in downtown Montreal at a cost of \$250 million. The team's objective is to raise the first \$100 million privately and the balance from governments. If a new stadium is not built, the team will be sold and moved to the United States.

The Toronto Blue Jays' situation is somewhat different. The Blue Jays play in the SkyDome, a modern stadium owned mainly by the team's owners. Moreover, attendance at Blue Jays games in 1997 ranked 10th out of the 30 teams in all of Major League Baseball, drawing about 2.6 million fans (one million more than the Expos). However, for fiscal year 1997, the team lost approximately \$35 million and the projections for 1998 are expected to be in the same range (Blue Jays, brief).

Major League Baseball has a revenue sharing-system, which granted the Expos \$9 million in 1997 and is expected to provide more than \$13 million in 1998. Moreover, Major League Baseball shares all national U.S. television, radio, trademark and promotional revenues equally among the teams. In 1997, revenues from the U.S. clubs represented 51% of total Expos revenues, and in 1998, these revenues will probably exceed 60% (Expos, brief).

### **4. National Basketball Association**

The Toronto Raptors and Vancouver Grizzlies joined the National Basketball Association for the 1995-96 season in what was the National Basketball Association's return to Canada, since the time of the Toronto Huskies 40 years

ago. Basketball, new to Canada, is the country's fastest growing sport (NBA, brief). The Vancouver Grizzlies and the Toronto Raptors are owned by the same corporations that own, respectively, the National Hockey League Canucks (Orca Bay) and the Toronto Maple Leafs (Maple Leaf Gardens).

## B. Issues and Challenges

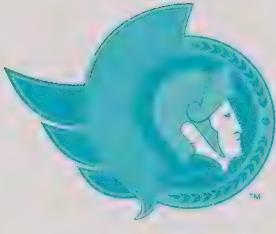
Professional sport in Canada is played on a North American scale where players can be traded without difficulty and the asset, the team, can be relocated fairly easily in any region in Canada or the United States. In fact, sport entertainment is probably one of the industries most economically integrated between Canada and the United States. Many challenges facing major league professional sport in Canada are linked to what is happening south of the border. Professional sport in Canada must be seen in this context in order to evaluate the challenges, dangers and possible long-term outcomes.

Generally speaking professional teams suggested:

- That government create an environment permitting sports teams and sports leagues to do business on a level playing field (CFL, Meeting No. 10).
- That the Committee recognize the significant impact of sport on economic growth and community development and that it recommend measures to ensure that treatment accorded to sport is comparable to that accorded to other businesses in Canada (Senators, Meeting No. 12).
- That a task force consisting of government and National Hockey League representatives be created to follow up the Committee's report and ensure the implementation of the solutions identified, in order to guarantee the future of Canadian teams in the National Hockey League (Canadiens, Meeting No. 12).



## **1. Economic Impact Study**



Before beginning any analysis of the problems facing professional sport in Canada, it is important to clarify the real or net economic impact that a professional sport club has on a city. Part III presented evaluations that professional clubs have made of their economic contribution to the economy. These numbers should be used only to evaluate the relative economic size of the professional sport clubs in Canada; they do not measure the economic losses that would result if a Canadian team were to leave.<sup>5</sup>

In their brief, Jean Harvey, Marc Lavoie and Maurice Saint-Germain argued that, according to American academic studies, the net economic impact of a professional sport team is far more modest than is claimed by team owners. First, economic studies produced for the teams do not take into account the fact that public money that goes towards construction of a stadium is not available for any competing public project that might also create jobs. Second, the money spent by the fans at the stadium is money that might not be spent at other local leisure facilities, such as restaurants, skiing facilities and so on. Third, not all the money spent at the stadium stays in the local community; for example, the money earned by the players is not all spent in the community.

According to Noll and Zimbalist (1997), the net economic benefits of having a team in a local community include the team revenue (attendance fees, broadcast rights, league cash transfers, etc.) minus the annual costs of the stadium, team operations and broadcasting. The positive *externalities* of having a local team minus the negative *externalities* associated with travel to games (additional air pollution, traffic congestion, and security problems) should also be included.<sup>6</sup> The direct and indirect effects on local income should also be added to local income and can increase in two ways: (1) through increased sales to people outside the community (net exports), and (2) through higher-productivity jobs for local residents.

Caution should be taken, however, in applying American results too readily to Canada. First, it should be remembered that if a National Hockey League, National Basketball Association or Major League Baseball team currently located in a Canadian city moves to another city, that city will be in the United



States. Second, the most important Canadian programming on CBC is sport (CBC, brief); other Canadian-produced series attract few viewers outside Quebec. Canadian professional sport teams keep out cultural imports from the United States. Third, expertise developed by the Canadian broadcaster and the state of the art equipment used for the coverage of professional sport events would, in the absence of such events, not otherwise be available for the coverage of amateur sport or any other Canadian broadcasting production. Fourth, infrastructures used by professional sports can be used to attract other major sport events (Calgary Saddledome, Montreal Big "O") or major artists (NHL arenas and SkyDome), it would not be economically feasible to build such a stadium without a professional team using it regularly.

## **2. U.S. City Subsidies to Stadiums and NAFTA**

The major problem facing professional sport in Canada is essentially related to grants, subsidies and tax breaks provided to sport clubs by American municipalities and counties in order to attract professional sport clubs. According to Garry Bettman, "the subsidization of building arenas and the infrastructure attendant to the construction of those arenas is probably the biggest issue" (NHL, Meeting No. 12). In fact, U.S. venues built after 1990 had an important share of their costs paid by taxpayers: 77% for Major League Baseball venues (average cost of US\$269 million), 74% for the National Football League venues (NFL) (average cost of US\$257 million), 42% for NHL venues (average cost of US\$148 million) and 31% for National Basketball Association venues (average cost of US\$169 million)<sup>7</sup> (Forbes, 1997).

The United States is experiencing a significant sport facility construction boom; experts predict that more than US\$7 billion will be spent on new sports facilities before 2006. The average subsidy from a host city to its sports team exceeds US\$10 million a year (Noll and Zimbalist, 1997). In baseball alone, 18 new stadiums have just been built or will be built in the next few years. In hockey, at least two-thirds of National Hockey League teams have already moved to stadiums built less than five years ago, or will do so within five years. According to John Tory, the professional sports infrastructure is important to the strength and success of sports overall (CFL, Meeting No. 10).



Public subsidies are not limited to the facilities. U.S. cities are doing much to attract professional sport clubs to their city. For instance, the Nashville (Tennessee) Predators have received a lump sum of \$20 million for the establishment of the team. Moreover, few sport clubs in United States cities pay municipal taxes; 15 of the 20 U.S. teams in the National Hockey League are exempt from paying such taxes.

American cities are willing to subsidize professional teams because they believe they bring important economic advantages to their region and because of the cultural importance of sport in American society. Moreover, the U.S. federal government has an attractive program whereby local government can finance sport facilities with bonds whose interest income is exempt from federal income taxes. This results in an interest rate lower than the interest rate on taxable bonds of equivalent risk. For 1989, such federal subsidies amounted to US\$171.6 million (Zimmerman, 1997).

Professional teams in Canada charge that this anomaly is impairing their ability to be competitive with American teams. Claude Brochu stated that the Expos cannot compete with publicly financed ballparks, lower consumption taxes, lower property taxes and an absence of other taxes while coping with unfavourable foreign exchange rates (Expos, Meeting No. 14).

Should governments in Canada give financial assistance to professional sports facilities? John Tory has stated that governments could make a logical argument for doing so as such facilities are part of the infrastructure of a city, enabling a team to remain there and be viable. Moreover, stadiums encourage other kinds of games, tournaments, track and field, events, etc. to come to the city (CFL, Meeting No. 10).

Also suggested was the establishment of a system of tax-exempt bonds, similar to those used in the United States to finance sporting facilities: bonds would be issued for sport and culture infrastructures and the return on the bonds would not be taxed; however the interest rate would be lower than interest on taxable bonds of equivalent risk.

The subsidies in American cities raise the issue of trade between Canada and the U.S. under the North American Free Trade Agreement (NAFTA). Barry Appleton claimed that professional sports—hockey, basketball and baseball, in particular — are all covered as investments under the definition of NAFTA (Appleton, Meeting No. 16). The first reason, according to Mr. Appleton, is that an agreement to keep a sports team in a particular location, an anti-relocation clause, would violate NAFTA performance requirements; a number of examples of such agreements are set out. They violate NAFTA because they are an inducement to keep an investment, or to operate an investment, in a particular place (Appleton, Meeting No. 16).

Mr. Appleton's second point is linked to the national treatment rule that requires a domestic government to treat foreign investors like local citizens. Accordingly:

American measures that provide a benefit to local over foreign entities can violate the national treatment obligation. For example, county or municipal tax abatements or financing assistance provided to a local sports team could violate the national treatment rule unless the same benefits are made available to all teams playing in that locality. Otherwise, the government benefit could be an incentive to advantage local investments over investments of investors from other NAFTA countries (Appleton, brief).



Canadian professional sports teams can seek two different remedies for the violation of NAFTA by subsidies to American professional sports teams:

- Canadian teams can seek intervention by the Canadian government to commence a dispute against the United States government under NAFTA's Chapter 20. Under this process, Canadian teams would be able to seek a decision by a NAFTA panel indicating that the American practices violated NAFTA (Appleton, brief).

- Alternatively, the Canadian teams could make use of the NAFTA's innovative investor-state dispute settlement system. This system, only available to deal with complaints arising from the violation of the NAFTA Investment Chapter, allows a NAFTA investor to directly bring a compensation claim against another NAFTA government. (Appleton, brief).

Thus, if a challenge were successful, the Canadian teams would receive a monetary award from the U.S. federal government (Appleton, brief).

### **3. Salaries**

As a result of court rulings and adversarial labour situations, players have secured expanded rights to sell their skills to the highest bidder. With the advent of free-agency in professional sport, player salaries are exploding. In 1997-98, the average player earned US\$1.2 million in the National Hockey League, US\$1.25 million in Major League Baseball and US\$2.6 million in the National Basketball Association. Moreover, the average salary in Major League Baseball could double over the next four years (Expos, Meeting No. 14). This could also occur in the other major league sports.

Other than the free agency problem, the main explanation for this increase in player salaries is the extra income generated locally by new stadiums. In Canada, only three professional teams, excluding Canadian Football League teams, are not now (and will not soon be) playing in new facilities: the Calgary Flames, the Edmonton Oilers and the Montreal Expos.

### **4. Exchange Rate**

Many Canadian team problems are linked to the exchange rate between Canada and the United States. Players in North America are being paid in U.S. dollars. For Canadian National Hockey League teams, 80% of their revenues are in Canadian dollars while 80% of their expenses are in U.S. dollars (Senators, Meeting No. 12). For the Blue Jays, each one-cent decline in the U.S.-Canadian exchange rate results in an increase in team expenses of \$600,000 per year (Blue Jays, Meeting No. 18).

## **5. Tax Policy**

Canadian professional sport teams are facing taxation measures which reduce their margin for meeting their costs. Following are some of these taxation problems.

### **a. GST and Provincial Sales and Amusement Taxes**

Since spectacle sport is a service, the federal government collects the Goods and Services Tax (GST) on the gross price of the tickets. As was mentioned at Sub-Committee meetings, the professional sport industry was the loser when the GST replaced the manufacturing sales tax. Ironically, for professional sport operating in an international context, the implementation of the GST was supposed to increase Canada's international competitiveness (NHL, Meeting No. 12). For the Toronto Blue Jays, the 7% GST on all tickets amounted to \$3.2 million in 1997.

Moreover, all provinces (except Newfoundland) not only apply provincial sales tax to the ticket price, but also charge an amusement tax (2% in Ontario). In 1997, the Ontario government collected, on Blue Jays tickets, \$4.5 million in taxes of which \$900,000 was amusement tax (Blue Jays, Meeting No. 18). Rod Bryden has indicated that the direct taxes on Ottawa Senators' tickets range from a low of 20% to a high of 39% of the pre-tax price (NHL, Meeting No. 12).

### **b. Municipal Taxes**

The six Canadian hockey teams pay more than five times the amount of municipal taxes paid by the 20 American teams. The Montreal Canadiens pay more than twice what is paid by all American hockey teams (NHL, brief).



### **c. Income Tax Policy**

Recently, Revenue Canada has changed the fiscal year for professional sport players; it is now based on “duty days” or the number of days the league season is running. Revenue Canada then taxes the players’ income on the ratio of the number of days spent in Canada to the total number of days in the season. The result is that about 65% of the salary of the non-resident professionals playing for National Basketball Association Canadian teams is taxed at the Canadian rate. Before this new policy, such players in Canada would have paid about 51% of their salary at Canadian rates and 49% at American rates (NBA, brief (b)). The Toronto Blue Jays players, having a lower number of duty days in Canada, have about 41% of their income taxed in this country.

According to Richard Peddie (Raptors, Meeting No. 11), this taxation policy has threatened the ability of National Basketball Association teams in Canada to attract top players. For Stephen Bellringer (Grizzlies, Meeting No. 11), this issue is becoming even more critical; next fall the Vancouver Grizzlies will hold their training camp out of Canada to reduce the number of duty days in Canada.



### **d. Payroll Taxes**

Canada and the provinces have several payroll taxes that the employers, Canadian professional teams, must pay out of players’ salaries. According to Sam Pollock, the Toronto Blue Jays pay approximately \$500,000 in employment health tax payments on behalf of their players; however, because of the revenue requirements, the team receives absolutely no benefit from this for the players or their families (Blue Jays, Meeting No. 18).

## **6. Immigration**

Immigration policy makes it difficult for players’ spouses to work in Canada. Stephen Bellringer cited an example of a foreign national who was hired but whose higher educated spouse could not come to work in Canada (Grizzlies, Meeting No. 11).

## C. Recommendations

### Sport Pact

The Government of Canada recognizes that high-level commercial sport is an important contributor to the country's economy as well as to its cultural identity. The economic contribution of commercial sport goes well beyond the people directly employed by the professional teams; it has spinoffs for the broadcasting industry, the manufacturing industry and the tourism industry, to give only a few examples. Canada has achieved international recognition for its expertise in sports entertainment.

Canadian major league cities also possess an intangible competitive advantage in terms of attracting foreign tourists and businesses. The "world-class-cities" visibility received by urban areas with teams, increases Canada's international status. Major sports are part of the amenities vital to the definition of cities as global players on the world economic and cultural stages. Canadian professional sport is a key element in the development of sports talent in Canada. For a long time, Canada has developed the best hockey players in the world; it is important to preserve this expertise and to develop equal expertise in other sports. The development of sport at the grassroots level depends in part on a vigorous professional sport sector.

Sports are an important source of social cohesion, enabling all individuals in the community to share the same passions and dreams. The Government of Canada wants to be a partner with communities in preserving and creating jobs in the sport entertainment industry and participating in the collective life of Canadians.

The **sport pact** would embrace a federal strategy aimed at creating a favourable environment for promoting the vitality and stability of professional sport in Canada within the North American market. It would cover all federal action in the field of professional sports.



**The Government of Canada initiative would be directed through five key strategies:**

1. The Canadian professional sport stabilization program would have two components.

Professional teams are severely impacted by the exchange rate between Canadian and United States currencies, and by public funding for facilities in which United States base franchises play. To assist Canadian franchises that are viable and to reduce the effect of these factors, the Committee recommends that:

- a) Small businesses, as defined under the *Income Tax Act*, be permitted to deduct eligible entertainment expenses arising from purchase of tickets, premium seating or suites at professional and quasi-professional (e.g. CHL) games at 100% of such expense, rather than 50% as would otherwise be deductible from income for tax purposes; and either
- b) Revenue as defined by the *Income Tax Act*, arising from the operation of a professional and quasi-professional team, be subject to a credit calculated to be 10% of the first \$50 million of such revenues for the taxation year, less 25% of such revenues in excess of \$60 million, and that this credit be deductible from amounts of tax of any kind otherwise payable to the Government of Canada by the taxpayer to which income from the franchise is attributable under the *Income Tax Act*; or
- c) Capital Cost Allowances provided for under Section 14 in the *Income Tax Act* or Schedule 2 of the *Income Tax Regulations* arising from investment in a facility that is the home of a



professional or quasi-professional team be deductible in full in any year from and after commencement of regular season play by such franchise, and the right to utilize such deduction from taxable income may be transferred to a related or unrelated party once for any asset for which such allowance is claimed.

The **Canadian professional sport stabilization program** would be in place for two years. To be eligible, the professional sport franchise would have to respect the following criteria:

- The team would have to contribute to minimum employment requirements.
- The National Hockey League should maintain the Supplementary Currency Assistance Plan and continue to explore new ways of distributing equitably team revenues.
- The team would have to meet a profitability test based on the team's revenue base and costs.
- The team would have to demonstrate long-term viability as a franchise in a city.
- The team would have to show the socio-economic benefits it would bring to the local community.
- The team would have to develop and train employees in the field of sport marketing, administration, broadcasting, merchandising.
- The team would have to demonstrate that financial assistance



was required in order for it to compete with its international competitors.

- The team would have to demonstrate financial involvement and support in their local community as well as in the promotion of fair and ethical amateur sport. This includes offering volunteer clinics with professional players to assist skills development of youth.
- The sport facilities used by the team should be made available for amateur sport at least 20 nights per year in order to allow competitions to be held and to raise funds for amateur sport.
- The team would have to work towards influencing the control of player salaries within their league and to commit to controlling increases in ticket prices.

2. The Government of Canada, through the Finance Minister, would negotiate a Canada-U.S. protocol of income tax harmonization for sport professionals. This harmonization protocol would aim to abolish the “duty days” notion applied by Revenue Canada. The protocol would eliminate the gap between U.S. rates (federal, state and county) and Canadian rates (federal and provincial).
3. The Government of Canada would change its immigration policy in order to allow professionals in the sport industry and their families to immigrate easily to Canada and work here.
4. **The Canadian Radio-Television and Telecommunications Commission (CRTC)** would examine the possibility of allowing more channels for broadcasting local professional games on Pay-Per-View.



5. The Government of Canada, through the Minister for International Trade, would maintain a constant inventory of all subsidies to sport franchises in the United States and advise Parliament of the status of professional sport financing in North America to permit the creation of good public policy. If the information collected warrants action, the Minister should consider the possibility of launching a NAFTA challenge.

**The Committee recommends that:**

**The sport pact be initiated to protect, enhance and promote the vitality and stability of professional sport in Canada.**

**Estimated Costs of the Recommendation**

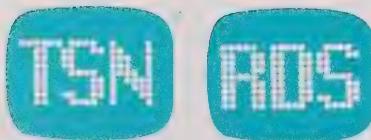
- Evaluation should be conducted by the Department of Finance to determine the costs of implementing the sport pact.



## Section 8: Broadcasting (Sport and Media)

### A. Context

The association between sport and the media is essential to the creation of a vigorous sport industry in Canada. In particular, broadcasting sport events raises awareness of athletes and gives visibility and a high profile to them, their teams and their sport. On one hand, broadcasters see sport as a significant means of attracting viewers to their channel. It has long been believed that a channel cannot have credibility without sport programming. For people in the broadcasting industry, sport overpowers all other programming in providing an incentive for viewers to subscribe to cable and satellite television (*Economist*, 1998). There is, however, a tendency towards having sport programming accessible only via cable and satellite. According to Mr. Clark, sports once made a lot of money for Canadian networks (CBC, brief). In that context, it is not surprising that the CBC alone, which has a public mandate, produced 916 hours of professional and amateur sports programming, representing 11% of the network schedule (CBC, brief). For *Hockey Night in Canada* alone, CBC attracts five to six million Canadians every Saturday night. Moreover, the specialized channels The Sport Network (TSN) and Réseau des sports (RDS) broadcast 4,300 hours of original sports programming. Not surprisingly, these two NetStar channels are the most successful specialty services in Canada (NetStar, brief).



On the other hand, television sport coverage makes an important contribution to the vitality of sport in Canada. The appearance of TSN and RDS on the Canadian broadcasting scene, in addition to CBC/Radio-Canada, has provided an even greater profile for sport in Canada. The Canada Games Council said it is difficult to sell broadcasting rights to television; however, for the first time, TSN and RDS have made a commitment to cover the Canada Games of 1997, 1999 and 2001. This long-term commitment allows the Canada Games Council to plan accordingly. The arrival of NetStar's specialty services increased awareness of curling, international hockey, world junior hockey, international world championships and women's hockey, none of which had been covered to

any great extent in previous years (TSN, Meeting No. 9). This greater visibility could help amateur athletes attract more sponsors.

The Nagano Winter Olympic Games gave unprecedented coverage to the Winter Olympics: 350 hours for CBC and 250 hours for Radio-Canada. Moreover, between 7 p.m. to 11 p.m., the average number of viewers was nearly two million for English television and 854,000 for French television. However, specific events garnered even larger audiences; 2.9 million viewers watched skater Elvis Stojko, and 3.2 million watched the early part of the aerial-skiing competition (CBC, press release).

There is an obvious relationship between the 17 million Canadians that watched the 1998 Winter Olympics and the unprecedented number of medals won by Canadian athletes during those Games. Sport is no different from the rest of the world in loving winners (CBC, brief). The better the Canadian athletes and Canadian professional teams, the better will be the rating for broadcasters. Television networks are important beneficiaries of sport vitality in Canada.

Moreover, sport is an important contributor to the "Canadianization" of our country's television. At the CBC and Radio-Canada, the prime time schedule no longer contains any American series. It is critical to the success of Canadianization that large audiences and, as a result, sponsors be drawn to less popular Canadian programming (CBC, brief). For NetStar, sport is an extremely powerful expression of our culture and it is also the key to economic success as a private sport broadcaster since "Canadian content is king." Canadians want to watch their athletes and their teams (NetStar, brief).

In this context, the broadcasting industry and all the media that give extended coverage to sport are important drivers of the sport engine. The vitality of sport is directly linked to the number of hours on air. This is true as much for amateur sport as for professional sport in Canada. Broadcasters do need champions to attract viewers, however. At the CBC, profit from hockey depends on how Canadian teams perform in the playoffs. As was noted by Mr. Clark (CBC), "television is a business and our business is driven by ratings. It takes viewers to generate sponsor dollars" (CBC, brief).



However, broadcasters have a role to play in helping the development of athletes, the people who make their business successful. When athletes win Olympic medals or World Championships, broadcasters win viewers and earn more profits. When Canadian professional teams win a championship, the result is an increase in revenues for Canadian broadcasters; broadcasters already know this. NetStar is committed to awarding scholarships and internships to university athletics, funding the training of Canadian coaches with the Coaching Association of Canada; and it is involved in fundraising for the Special Olympics in Canada. The assurance that CBC/Radio-Canada will broadcast all Olympic Games for the next 10 years encourages it to promote athletes. The broadcaster is conscious that a 14-year old athlete now performing at the local level might become an Olympic hopeful 10 years from now (Radio-Canada, brief).

### **B. Problems and Solutions**

Over the years, massive budget downsizing at CBC and Radio-Canada left little space for amateur sport outside major sport events and reduced the exposure of amateur athletes on air. Certainly, the limited audience for amateur sports programs cannot generate sufficient advertising revenue to cover a significant share of the high-production costs of broadcasting or reporting on sports events (CBC, brief). However, TSN devotes over 1,400 hours or 33% of its original programming to amateur sports, while RDS devotes 2,400 hours.

CBC has chosen to reduce its coverage to main sports to match budget constraints, drawing a parallel with Sport Canada and its core-sport program (CBC, brief). In 1997-98, CBC/Radio-Canada gave extensive coverage to professional hockey, baseball, football, car racing and figure skating and to amateur sport World and Canadian Championships. However, the Canadian Soccer Association would like to see more sports on CBC/Radio-Canada; it believes the National Hockey League, Olympic Games, Major League Baseball, and other organizations can stand on their own feet (CSA, brief).

This comment raises the question of what role the CBC, a public agency, should play in the development of sport in Canada. Should Radio-Canada/CBC focus only on sports that already have a mass audience? Why should sport at CBC be



self-financing while many other Canadian cultural products are subsidized? CBC's overall Department of Canadian Heritage contribution is \$844 million for 1998-99; however, CBC sport pays for itself (CBC, brief). What should be the role of the CBC in developing amateur sport if private corporations like NetStar can turn the presentation of amateur sport into profit? Is the role of the CBC in professional sport only to make more money in order to present other sport events?

The CBC points out that heroes, trends, and marketing dominate sports today. The fact of television ratings means that if there is no hero in a particular sport, CBC can hardly justify carrying it. The example of Alpine skiing is eloquent: CBC could attract 850,000 viewers for the World Cup race the week after Kerrin Lee-Gartner had won the gold at Albertville; last year, with only four weekends of Alpine skiing, CBC attracted fewer than 300,000 viewers. This year CBC carried only two weekends of Alpine skiing (CBC, Meeting No. 8). It seems clear that all broadcasters have a vested interest in developing high-level Canadian athletes; they are certainly part of a comprehensive solution to such development.

According to the Canadian Soccer Association, the Government of Canada should direct the CBC/Radio-Canada to broadcast more sporting events involving Canada's national teams, as opposed to the restricted window of events they currently present. "Is it not time for CBC/Radio-Canada to turn National Hockey League/Major League Baseball over to the private sector where there is already considerable interest in picking up these rights?" (CSA, brief).

Radio-Canada mentions that it will take advantage of the opportunity to broadcast the Olympic Games for 10 years to raise the profile of amateur athletes more than a month before the Games. It is important for the four broadcasters which are broadcasting the Olympic Games to make use of this opportunity in this way. Being familiar with the athletes will encourage Canadians to follow the Olympic Games, which will mean higher ratings for broadcasters and more sponsorship for amateur sport.

CBC also raised other important questions. One is the television representation of women in sport. For the CBC, an important means of increasing audiences is attracting more female viewers. The CBC has acquired sports properties such as figure skating, swimming, diving, and equestrian events that provide more space to women athletes; however, outside the major multi-sport games, women athletes are poorly represented on television. Sports for disabled athlete competitions also have a weak representation on air. CBC television broadcasted 350 hours from the Nagano Olympics, but only a two-hour highlight show covering the Nagano Paralympics. Finally, the regional broadcasting of sport is underrepresented. The problem is more particular to Atlantic Canada, which does not support professional teams and where the costs of covering events are significant (CBC, brief). The CBC does not have solutions to these problems.

**The Committee recommends that:**

**The CRTC not authorize any more foreign programming services with strong U.S. sports components for broadcast in Canada.**

**The government work with the media to create a broad-based public awareness campaign which speaks to the benefits of sport and recreation.**

**The CRTC extend mandatory simultaneous signal substitution to specialty services.**

**The government direct the CBC/Radio-Canada to broadcast more sporting events involving Canada's national teams rather than the restricted window of events they currently present.**

**The CRTC encourage broadcasters to co-operate in providing Canadians with the best possible Canadian programming.**

**The CRTC initiate a study of sport on Canadian television. The purpose would be (1) to analyze Canadian sport content compared with American sport content (programming involving Canadian teams or athletes) on channels available in Canada and (2) to evaluate the market share of broadcast Canadian sport.**

**Radio-Canada/CBC be required to broadcast a minimum number of hours of amateur sport in both official languages and the actual number of hours broadcast be equivalent on both networks.**

**The federal government implement, for a two-year period, a 150% tax credit for firms that advertise on Canadian amateur sport programs broadcast by specialty services.**

#### **Estimated Costs of the Recommendations**

- For most of these the cost would be very low, since resources are already in place. The Department of Finance should evaluate the cost of the proposed tax credit.

## **Section 9: Government Coordination, Collaboration and Programming**

### **A. Intergovernmental and Intersectoral Collaboration and Coordination**

Sport development is a field where coordination among the various levels of government is particularly important. Municipalities play their part by providing sporting infrastructures and by organizing sport at the very basic development level and for recreation. The federal government's role is concentrated at the very top level, where Sport Canada provides financial assistance and services to 1,026 athletes. Moreover, the federal government is involved in funding the hosting of major sport events. Between the municipalities and the federal government, the provinces fill an important gap. Their role is to coordinate and to fund provincial sport federations for the development of national level athletes and to provide financial assistance for the development of facilities in the municipalities.

The three levels of government often act in partnership and coordinate their affairs to avoid duplication. For instance, organizing the Canada Games requires the financial participation of all three levels of government. The provinces of Alberta, British Columbia, Manitoba and Quebec are involved with the federal government, the Canadian Coaching Association and the Canadian Olympic Association in financing national sport centres. Moreover, solutions to the problems of professional sport in Canada must also involve the concerned provinces and the municipalities. The three levels of government must work together to develop strategies that will encourage professional sport to flourish in Canada.

Sport overlaps various jurisdictional structures. A strong sport sector needs to incorporate all government agencies and all resources in our society. Resources already available in federal departments such as Industry Canada, Human Resources Development Canada, and Foreign Affairs and International Trade, must be mobilized to help the development of the sport sector in Canada. Many

of the Committee's witnesses expressed a need to create a national, arm's length sport organization to provide a national voice for sport in Canada.

**The Committee recommends that:**

**The government establish a separate department responsible for sport in keeping with the significant role of sport in Canadian society. The mandate of this department would include the development of high-performance athletes as well as sport for all and responsibility for mobilizing and coordinating all the resources involved in the Canadian sport sector. The funding directed to the development of sport for youth, communities and specific populations across Canada be increased by \$10 million.**

**The federal government examine its relationship with the national sport community in keeping with the evolution and maturity of the national sport system. Furthermore and in consultation with all stakeholders, the government should consider the creation of a new mechanism which would allow for more formal consultation and collaboration with stakeholders in the sport system. This new organization would include the following characteristics:**

- **be arm's length from government**
- **be responsible for areas of programming currently delivered by government (i.e. Athlete Assistance Program)**
- **be able to leverage private sector involvement**
- **be responsive to government's wider social priorities and be accountable for the provision of public funds**

The division of responsibility and coordination of both facets of the sport system, grassroots and high performance continue to be addressed through the federal and provincial/territorial ministers responsible for sport.

The *Fitness and Amateur Sport Act* (enacted in 1961) be updated.

The Government of Canada, as part of a millennium sport development program, organize a national sport summit to be chaired by the Prime Minister of Canada and held annually in Ottawa, and involving amateur sport groups, coaches, sport manufacturers, professional sport franchises, major media and government agencies.

A Prime Minister's council for health and fitness be created.

#### Estimated Costs of the Recommendations

- The existing \$65-million budget of Sport Canada would be merged with the existing \$10 million allocated for fitness and active living. An additional **\$10 million** should be devoted to the development of sport and the promotion of physical activity.

#### **1. Data Collection on the Sport Sector**

Statistics Canada is only now beginning to gather data on the sport industry, but specific knowledge must be enhanced in order to develop public policy for encouraging the development of sport in Canada. According to *The Vitality of the Sport Sector in Canada* (Statistics Canada, 1998 (b)), "the amount of sport data currently available is insufficient to provide a comprehensive profile of the characteristics, benefits and value of sport to Canadians. Until the means are

available to monitor, measure and evaluate all facets of the sport industry across the nation, the ability to formulate sound strategic policies, undertake effective planning and make the right choices is severely limited and often problematic.” The lack of homogeneity in the existing available data is also problematic.

To fill the statistical gap, Statistics Canada is recommending that an effective information infrastructure for National Sport Statistics be developed over three to five years to harmonize and develop a consistent approach to the study of the sport sector, to build a national and regional information infrastructure, and to foster research partnerships within the sport research community. This initiative would be established through six strategies: (1) increase the public's understanding of sport and recreation; (2) develop the analytical potential and utility of sport data; (3) improve the efficiency of process and operations while reducing respondent burden; (4) improve the accessibility and utility of sport products; (5) support the development of integrated approaches to sport statistics; (6) improve the utility of services.

### **The Committee recommends that:**

**Statistics Canada develop the effective information infrastructure for National Sport Statistics as recommended in *The Vitality of the Sport Sector in Canada* (Statistics Canada, 1998 (b)) and make as a priority the implementation of the six strategies outlined in its recommendation. A report on the development of National Sport Statistics should be presented annually to a House of Commons standing committee responsible for sport to allow it to monitor the development of the strategies over the implementation period.**

### **Estimated Costs of the Recommendation**

- Statistics Canada should estimate the cost of developing a **National Sport Statistics** structure.

## **2. Human Resources Development for Coaches**

Coaching is mainly seen as a volunteer occupation, therefore the labour market for coaches needs to be stimulated. Human Resources Development Canada has a program called Job-creation Partnerships for developing such employment in the local community. This kind of program could be used in partnership with the Coaching Association of Canada to develop local strategies for initiating programs aimed at hiring professional coaches in local communities.

**The Committee recommends that:**

**Human Resources Development Canada work in partnership with the Coaching Association of Canada to perform an extensive study on the labour market for coaching in Canada in order to assess the labour market conditions pertaining to coaching occupations.**

**Human Resources Development Canada work with the Coaching Association of Canada to develop a community business plan for hiring professional coaches under the Job-creation Partnerships Program.**

### **Estimated Costs of the Recommendations**

- Costs would probably be limited and should be determined by Human Resources Development Canada.

## **3. The Sporting Goods Industry**

The sporting goods industry is an important contributor to the sport economy. In the global context, a Canadian sporting goods sector that concentrates on labour-intensive production cannot compete with the countries of Southeast

Asia. Canada's sporting goods industry must be based on technology-intensive production and on research and development for producing high quality goods. The Committee believes that enhancing the partnership between the industry and universities is the best way to achieve this. For instance, NIKE, Bauer Canada and the Science and Engineering Research Council of Canada jointly fund the Hockey Biomechanics Laboratory at the University of Ottawa and its research on developing better, safer and more comfortable skates, which will be manufactured in Canada by Bauer (Jean Harvey, Marc Lavoie and Maurice Saint-Germain, brief).

Canada is internationally recognized for products reflecting its special character. For people around the world, Canada is synonymous with wide-open spaces, lakes, rivers, the winter and all the open-air and sporting activities that they foster. Canada should capitalize on this competitive advantage by producing and selling products related to this image (Jean Harvey, Marc Lavoie and Maurice Saint-Germain, brief).

**The Committee recommends that:**

**Industry Canada continue to track and provide current information on the development of the domestic and foreign sporting goods market, the trends for the next year, and the proper strategic positioning to be developed by Canadian manufacturers.**

**Industry Canada continue to work in developing co-operation and partnership among the sporting goods manufacturers and research and development laboratories in order to use new technologies for producing high-performing sporting equipment.**

**Estimated Costs of the Recommendations**

- Cost is very limited, since the service is already provided to the industry.

#### 4. Horse Racing Industry

Horse racing is a major sport in Canada and contributes significantly to the Canadian economy. Canada is respected around the world for its production of competition horses. The industry has recently come under pressure from new and expanded gaming initiatives including casinos, slot machines, lotteries and bingo (Racetracks Canada, brief).

Over the past 10 years horse racing has become quite widespread. In this more global market, one problem facing the horse industry is that Canadians are subject to tax-withholding on winning bets in a U.S. pool. This means a separate and smaller pool in Canada; many Canadians are setting up wagering with racetracks in the United States in order to bet into U.S. pools. This seriously hurts the Canadian racing industry because it means that wagering and associated commissions are lost to it.

Losses incurred by horse owners who are not full-time farmers are tax deductible only to a maximum of \$8,500. These rules apply to “farms,” as defined in the *Income Tax Act*, and were put in place to prevent “hobby farmers” from benefiting from artificial losses. The unintended effect of these rules is to put Canadian race horse owners and the Canadian horse racing industry at a significant disadvantage in relation to their U.S. counterparts and other Canadian businesses. This industry would benefit from having fair tax treatment, the same as that given to other businesses in Canada.

The emergence of new technologies has created opportunities for foreign competitors to advertise and offer betting facilities to Canadian residents that cannot be offered by Canadian tracks. The problem is that the *Criminal Code* permits only telephone account wagering, so that the Canadian industry cannot benefit from other mediums such as the Internet or digital satellite television to provide a modern wagering distribution system.

### The Committee recommends that:

The Department of Finance undertake negotiations to change the current tax treaty between Canada and the U.S. to ensure that Canadian betting in Canada on races in the United States will be subject to the Canadian tax laws rather than U.S. regulations.

The Minister of Finance examine the possibility of amending the *Income Tax Act* so that the losses incurred by horse breeders and owners receive the same tax treatment as losses incurred by any other businesses in Canada.

The Minister of Justice examine the possibility of amending the *Criminal Code* paragraph 204(1)(c) to add the words or any other telecommunications devices after the words telephone calls. This would allow the horse racing industry to take advantage of emerging new technology to allow wagers directly into betting pools une seule fois au titre de tout l'élément d'actif hosted by Canadians tracks, over mediums such as the Internet or digital satellite television.

#### Estimated Costs of the Recommendations

- The cost of amending the *Income Tax Act* needs to be established.
- Other recommendations would incur no additional cost.

### **5. Sports Wagering**

While various forms of gaming are allowed in Canada under the *Criminal Code* (lottery, casino, horse racing, bingo), sports wagering is illegal. Like any

prohibited activity, the sport wagering industry exists as an underground activity in Canada. More control over this industry could better protect people who bet and could also be a good source of revenue for governments. Sports wagering could be a means of increasing financial resources for developing athletes and encouraging sports participation. The Minister of Justice could establish a task force to investigate the economic and social impacts of legalizing sports wagering in Canada.

**The Committee recommends that:**

**The Minister of Justice establish a task force to investigate the economic and social impacts of sports wagering in Canada and to study the feasibility of legalizing it.**

**Estimated Costs of the Recommendation**

- Cost would be limited as resources are already in place.

**6. International Sport Policy**

Sport is one of the most powerful images that can be projected through international relationships. Canada receives a great deal of fame when an Olympic athlete wins a gold medal at the Olympic Games and our country's expertise will continue to be recognized in the particular sport. Canadian companies need such international exposure in the realm of global market competition. Moreover, the "world-class city" status attracted by international sports events and major league sport draws intangible amenities to the host city and to Canada's tourism sector, as well as highly qualified workers from abroad and foreign investment.

**The Committee recommends that:**

**The Department of Foreign Affairs and International Trade**

work with the national sport organizations to develop strategies to encourage Canadian corporations to sponsor Canadian international-level athletes who could promote their overseas business.

The Department of Foreign Affairs and International Trade work with the sport community to develop an international sport strategy for promoting international tourism, foreign investment and the world-class status of Canadian cities through major sport franchises and major games.

#### **Estimated Costs of the Recommendations**

- Cost would be limited as resources are already in place.

### **B. Government Programming**

#### **I. Programs for Athletes**

Witnesses suggested creating transparent selection mechanisms to ensure that all athletes are treated fairly and that the athlete development system in Canada is working for athletes. Equity and fairness should be at the basis of all sport delivery systems.

**The Committee recommends that:**

**The Government of Canada, in conjunction with the provinces and territories, take action to create mechanisms for ensuring fairness in the selection of national teams and access to participation in sport and fitness activities by all Canadians.**

The government ensure that top-level athletes have more control over the system by encouraging sports organizations to give them significant decision-making strength in those issues that affect them.

The Government of Canada ensure the development and delivery of services and programs in both official languages.

#### **Estimated Costs of the Recommendations**

- The cost would depend on the type of program that is developed.

#### **2. Sport Medicine and Research**

Studies show that people engaged in sport, particularly young men, can display reckless behaviour causing fatal injuries. Half of the men who die during sports or recreational activities have been drinking alcohol. Trauma specialists are calling for programs aimed at educating youngsters about safety in sport. Moreover, significant research must be carried out to ensure the safety of athletes. In the realm of drug use to improve sport performance, the Committee recognizes the need to find solutions to current problems.

##### **The Committee recommends that:**

Mechanisms be established that will make it possible to ensure that physiological and biomechanical monitoring of athletes becomes more accessible so as to reduce the temptation to use drugs.

The Government of Canada create a program designed to educate youngsters about safety in sport.

**The Government of Canada establish a research fund for projects that study the causes, effects and prevention of all injuries in sport, particularly those that are catastrophic.**

**The Government of Canada invest in specific sport research determined by sports stakeholders and that research contracts be awarded to university institutions. A formal mechanism would be needed for coordinating research and distributing findings.**

#### **Estimated Costs of the Recommendations**

- The cost of the educational campaign should be capped at **\$1 million**.
- The **Research Fund** should be capped at **\$1 million per year**.

## Section 10: New Financing for Sport in Canada: “The Millennium Sport Bond”

New funding sources for amateur sport in addition to direct subsidies to national sport organizations and indirect support through tax measures have been severely limited since the late 1980s. The creation of a new and innovative fundraising program on a national scale would assist in supporting the growing needs of the national sport infrastructure. One such revenue-generating scheme would be the proposed **millennium sport bond** program. The basic concept of this program is to sell bonds to Canadians in \$100 denominations. The principal would be placed in a trust and 80% of the interest earned would be directed to assisting amateur sport. The remaining 20% of the interest earned would be redistributed to bondholders in the form of a lottery.

The province of Alberta is implementing “Sport Prize Bonds” to improve professional sport facilities and possibly support the operating costs of community-owned teams. The concept is that a charitable foundation sells bonds for a stated face value (i.e. \$100), redeemable at face value at the option of the bondholder. In lieu of interest, the bondholder receives a chance to win a significant cash prize, determined periodically during the period in which the bond is outstanding. The aggregate principal amount of the issued bonds is held in a segregated account. The interest earned on the account is used: (1) to pay the operation costs of the program; (2) to give prizes to randomly selected bondholders; and, (3) to stabilize professional sports franchises in Alberta (Turner, 1998). Revenue Canada is currently examining the tax treatment of the cash prizes (with respect to income tax) and the bonds sold (with respect to the Goods and Services Tax).

Gaming in Canada has an estimated market of \$20 billion. The federal government became involved in lotteries to help finance the 1976 Olympic Games in Montreal, Quebec, and launched the Olympic Lottery in November 1973. In 1985, an agreement between the federal government and the provinces left the field to the provinces. Provincial lottery ticket sales totalled \$5.6 billion in the fiscal year, 1996-97, and made a net profit of \$1.9 billion. Sales of sport-

related gaming alone accounted for \$344 million. However, according to the 1985 Lottery Agreement between the Government of Canada and the provinces, the federal government received \$100 million in 1984 which it used for the Calgary Olympic Games and an annual amount of \$24 million in 1979 dollars, which represented \$51.6 million in the fiscal year, 1996-97.

**TABLE 9**

Provincial Lotteries, 1996-97  
(in thousands of dollars)

	Gross Sales	Sport-related Lottery Sales	Net Profits	Payments to the Government of Canada
British Columbia Lottery Corporation	867,452	21,460	2,288, <sup>1</sup> <sub>0</sub>	6,714
Western Canada Lottery Corporation	602,029	59,865	11,386 <sup>2</sup>	8,800
Ontario Lottery Corporation	2,066,723	202,208	6,175 <sup>3</sup>	19,600
Loto-Québec	1,570,052	50,001	502,155	12,869
Atlantic Lottery Corporation	454,244	10,100	287,106	3,635
<b>Total</b>	<b>5,560,500</b>	<b>343,634</b>	<b>1,937,294</b>	<b>51,618</b>

Source: Annual reports of provincial lottery corporations for the fiscal year 1996-97.

### The Committee recommends that:

**The Government of Canada, in collaboration with the provinces, establish a millennium sport bond program to generate funds for amateur sport in Canada.**

#### Footnotes

<sup>1</sup> The task force takes into account all the dollars spent, and not only the net value added to the economy, as Statistics Canada does. The GDP based result used by Statistics Canada represents only the net gain (value added) to the economy. For instance, the GDP of manufacturing sporting goods is the output less the material bought to produce the output; the GDP of wholesale and retail of sporting goods is only the gross margin.

<sup>2</sup> Of which \$17.8 billion is the direct effect and \$11.4 billion the indirect effect.

<sup>3</sup> "Technical resources" refers here to the extent of leadership provided by the NSO in developing resource materials and programs for athletes, coaches and officials.

<sup>4</sup> Use of recreation facilities include: membership fees and dues for clubs and for single usage fees (golfing, bowling and billiards, skiing, racquet sports and other recreation facilities and services) children's camps and admission to museums and exhibitions.

<sup>5</sup> However, it is worth noting that the economic contribution (GDP) (direct and indirect) calculated by the professional teams is somewhat relevant in the estimates of Statistics Canada (see Table 2).

<sup>6</sup> Economists define *externality* as an event that has a notable economic effect, positive or negative, on people who were not part of the economic transaction that generates the event.

<sup>7</sup> When the NBA and the NHL share the venue, the taxpayers' contribution represents 11% of the cost.

## Summary of Recommendations and Estimated Cost

(Millions of dollars)

	Recommendations	Yearly	Total for 5 years
<b>Section 1: High-performance Athletes and National Sport Organizations</b>			
1.	The government continue its policy and funding support for amateur sport generally. Specifically, and repeating a recommendation from the 1992 Minister's Task Force on Sport Policy, the federal government should provide a substantial federal commitment to and support for, the future of sport in Canada over the long term, in keeping with its current and potential contribution and benefits to Canada.	No additional cost	0
2.	Those responsible for administering federal funds ensure that all organizations in receipt of government funding for sport meet specified ethical standards. Ethical criteria for the funding or support of professional sports should be the same as ethical criteria for the funding of amateur sport, including provisions for drug-free sport.	No additional cost	0
3.	The federal government continue to support and fund the Canadian Centre for Ethics in Sport, an independent agency responsible for the promotion, monitoring and evaluation of ethics in sport, including stable and sufficient funding for Canada's drug-free sport program. That part of a national strategy for ethics in sport include the establishment of an ethics-in-sport legacy to ensure the necessary independence, stability and sustainability of Canada's ethics in sport program.	2.1	10.5
4.	The number of national sport organizations eligible for federal funding be increased. (A minimum funding level of \$100,000 per year would allow national sport organizations representing Olympic sports to provide a basic level of service to their athletes and maintain a limited program.)	1	5
5.	The carding eligibility requirements be changed to provide funding to all qualified national team athletes regardless of the funding status of the national sport organization.	0.65	3.2
6.	National high performance training centres allow access to non-carded national team athletes.	Estimate not available	--
7.	The Government of Canada support the continuing development of high-quality coaching in Canada through programs like the National Coaching Institute and set up a longer-term coaching endowment of 5 million to ensure stability within coaching.	--	5
8.	The Finance Department examine the possibility of creating a non-refundable high performance sport tax credit to help parents to meet the significant expenses associated with the development of high-performance athletes.	4	20

	Recommendations	Yearly	Total for 5 years
<b>Section 2: Sponsorship</b>			
9.	Amateur sport sponsorship be encouraged by allowing, for a two-year period, a 150% tax deduction (currently 100%) for small business corporate sponsorship.	Estimate not available	--
10.	A sport marketing advisory board be created to promote sport sponsorship.	Estimate not available	--
<b>Section 3: Sport Facility Infrastructure</b>			
11.	The Government of Canada, in conjunction with provincial and municipal governments, undertake a sports facility infrastructure program to improve and increase the number of facilities; this will encourage growth at the grassroots level and allow for the staging of high-level and profitable international events. Federal maximum contribution for the whole program should be capped at \$100 million.	--	100
<b>Section 4: Canada Lands</b>			
12.	All real estate properties sold by Canada Lands Company stipulate that a fixed percentage of the property (20%) be allocated for recreational use and that the purchaser make a commitment to developing and operating such recreational facilities.	No additional cost	0
<b>Section 5: Hosting Major Sport Events</b>			
13.	Canada bid for one major multi-sport games (Olympics, Commonwealth Games) or significant single-sport event (World Cup of Soccer, World Hockey Championship) in each decade in keeping with our proud history of staging multi-sport events. Moreover, provided Canada meets the International Federation of Association Football (IFAF) requirement of 9 stadiums of 50,000 places with natural grass, the Government of Canada should strike a Sub-Committee for determining the viability of developing a bid to host the IFAF World Cup in 2010.	Estimate not available	--
14.	Sport Canada examine the possibility of increasing the frequency of hosting the Canada Games.	Estimate not available	--
15.	The Government of Canada continue to play a strong role in the Canada Games program and should encourage continued funding and policy support, in view of the role of the Games in advancing public policy.	No additional cost	0
<b>Section 6: Encouraging Accessibility of Sport and Physical Activities</b>			
<b>A. Sport Development Fiscal Incentive</b>			
16.	Eligibility for charitable tax deductions be extended to qualified provincial/territorial level not-for-profit sport organizations.	Estimate not available	--

	<b>Recommendations</b>	<b>Yearly</b>	<b>Total for 5 years</b>
17.	The Finance Department examine the possibility of creating a non-refundable child sport tax credit to encourage parents to register their children in local sport and recreational programs, and help alleviate the cost of sport equipment.	64.3	321.5
18.	The Finance Department examine the possibility of creating a non-refundable tax credit for annual fees up to \$1,000 paid by volunteers in taking coaching, officiating or first aid courses connected to amateur sport.	2	8

## B. School Sport and C. University Sport

19.	The Government of Canada recognize the valuable role schools play in the grassroots development of sport in Canada.	No additional cost	0
20.	The Government of Canada continue to endorse the program "Quality Daily Physical Education" of the Canadian Association for Health, Physical Education, Recreation and Dance.	No additional cost	0
21.	School sport programs be expanded to encourage the participation of more students, regardless of gender, economic status and ability.	No additional cost	0
22.	The Government of Canada work with the provinces/territories and the Canadian Interuniversity Athletic Union to develop a system of student awards for athletes to support post-secondary athletes attending Canadian universities or colleges.	No additional cost	0

## D. Women in Sport

23.	The Government of Canada use the infusion of \$50 million into Canada's sport system to benefit underrepresented groups, in order to ensure that opportunities for girls and women are on a par with those for boys and men.	No additional cost	0
24.	The Government of Canada establish a tracking system to ensure that a fair portion of the new funding does in fact reach the targeted underrepresented groups.	No additional cost	0
25.	The Government of Canada continue to collect gender-based statistics through the initiatives noted above; that a verification process be established to ensure the accuracy of the data; that additional funding incentives be provided to those sport organizations which deliver equitable services, and that penalties be assessed against those that do not.	No additional cost	0
26.	The Government of Canada, as a major funder of the new system of national sport centres, enact three criteria for ongoing funding; significant representation by women on the boards of directors; programming that serves the unique needs of women and the other underrepresented groups; and higher numbers of apprenticeship and employment opportunities for women coaches.	No additional cost	0

	Recommendations	Yearly	Total for 5 years
27.	In support of Canada's hosting of the 2002 World Conference on Women and Sport, that the Government of Canada involve other government departments, especially those concerned with women's health, violence against women, and human rights; and that a financial legacy in the form of grants and scholarships to girls and women be established.	No additional cost	0
28.	The Government of Canada build on the initiatives begun in January 1997 to eradicate harassment and abuse from Canadian sport, and continue to support activities that make sport safer and more accessible to girls and women.	No additional cost	0
29.	The Sport Facility Infrastructure Program be developed to ensure accessible programs that encourage participation and provide "catch-up" funding for girls and women.	No additional cost	0
30.	The Government of Canada offer a program of incentives or tax breaks to Canadian manufacturers that develop, market, and export female-friendly equipment.	10	50
<b>E. Sport for people with disabilities</b>			
31.	Further steps be taken to encourage the integration of disabled persons into sports-governing bodies.	No additional cost	0
<b>F. Aboriginal People and Sport</b>			
32.	The Government of Canada, as recommended in the Royal Commission on Aboriginal Peoples, establish and fund an Aboriginal sports and recreation advisory council to advise all levels of government on how to best meet sports and recreation needs in Aboriginal communities.	Estimate not available	--
33.	The Government of Canada, in collaboration with provincial/territorial governments, the Coaching Association of Canada and the Aboriginal Sport Circle develop funding strategies and technical support to increase the accessibility of the National Coaching Certification Program and to develop a certification program more in touch with Aboriginal realities and culture.	Estimate not available	--
34.	The Government of Canada work with the provinces, territories and the Assembly of First Nations to develop a funding framework for the North American Indigenous Games.	Estimate not available	--
35.	The Government of Canada work with the provinces and territories to assure adequate funding for the Aboriginal sport bodies.	Estimate not available	--
<b>Section 7: Professional Sport</b>			
36.	The sport pact be initiated to protect, enhance and promote the vitality and stability of professional sport in Canada.	Estimate not available	--

Recommendations	Yearly	Total for 5 years
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## Section 8: Broadcasting (Sport and Media)

37. The CRTC not authorize any more foreign programming services with strong U.S. sports components for broadcast in Canada.	No additional cost	0
38. The government work with the media to create a broad-based public awareness campaign which speaks to the benefits of sport and recreation.	No additional cost	0
39. The CRTC extend mandatory simultaneous signal substitution to specialty services.	No additional cost	0
40. The government direct the CBC/Radio-Canada to broadcast more sporting events involving Canada's national teams rather than the restricted window of events they currently present.	No additional cost	0
41. The CRTC encourage broadcasters to co-operate in providing Canadians with the best possible Canadian programming.	No additional cost	0
42. The CRTC initiate a study of sport on Canadian television. The purpose would be (1) to analyze Canadian sport content compared with American sport content (programming involving Canadian teams or athletes) on channels available in Canada and (2) to evaluate the market share of broadcast Canadian sport.	No additional cost	0
43. Radio-Canada/CBC be required to broadcast a minimum number of hours of amateur sport in both official languages and the actual number of hours broadcast be equivalent on both networks.	No additional cost	0
44. The federal government implement, for a two-year period, a 150% tax credit for firms that advertise on Canadian amateur sport programs broadcast by specialty services.	Estimate not available	--

## Section 9: Government Coordination, Collaboration and Programming

### A. Intergovernmental and Intersectoral Collaboration and Coordination

45. The government establish a separate department responsible for sport in keeping with the significant role of sport in Canadian society. The mandate of this department would include the development of high-performance athletes as well as sport for all and responsibility for mobilizing and coordinating all the resources involved in the Canadian sport sector. The funding directed to the development of sport for youth, communities and specific populations across Canada be increased by \$10 million.	10	50
46. The federal government examine its relationship with the national sport community in keeping with the evolution and maturity of the national sport system. Furthermore and in consultation with all stakeholders, the	Estimate not available	--

**Recommendations**      **Yearly**      **Total for 5 years**

government should consider the creation of a new mechanism which would allow for more formal consultation and collaboration with stakeholders in the sport system. This new organization would include the following characteristics:

- be arm's length from government
- be responsible for areas of programming currently delivered by government (i.e. Athlete Assistance Program)
- be able to leverage private sector involvement
- be responsive to government's wider social priorities and be accountable for the provision of public funds

47.	The division of responsibility and coordination of both facets of the sport system, grassroots and high performance continue to be addressed through the federal and provincial/territorial ministers responsible for sport.	No additional cost	0
48.	The Fitness and Amateur Sport Act (enacted in 1961) be updated.	No additional cost	0
49.	The Government of Canada, as part of a millennium sport development program, organize a national sport summit to be chaired by the Prime Minister of Canada and held annually in Ottawa, and involving amateur sport groups, coaches, sport manufacturers, professional sport franchises, major media and government agencies.	No additional cost	0
50.	A Prime Minister's council for health and fitness be created.	No additional cost	0

## 1. Data Collection on the Sport Sector

51. Statistics Canada develop the effective information infrastructure for National Sport Statistics as recommended in The Vitality of the Sport Sector in Canada (Statistics Canada, 1998 (b)) and make as a priority the implementation of the six strategies outlined in its recommendation. A report on the development of National Sport Statistics should be presented annually to a House of Commons standing committee responsible for sport to allow it to monitor the development of the strategies over the implementation period.

## 2. Human Resources Development for Coaches

52. Human Resources Development Canada work in partnership with the Coaching Association of Canada to perform an extensive study on the labour market for coaching in Canada in order to assess the labour market conditions pertaining to coaching occupations.

53. Human Resources Development Canada work with the Coaching Association of Canada to develop a community business plan for hiring professional coaches under the Job-creation Partnerships Program.

Estimate not available	--
No additional cost	0
No additional cost	0

Estimate not available	--
Estimate not available	--

	<b>Recommendations</b>	<b>Estimated Cost (\$ millions)</b>	<b>Yearly</b>	<b>Total for 5 years</b>
<b>3. The Sporting Goods Industry</b>				
54. Industry Canada continue to track and provide current information on the development of the domestic and foreign sporting goods market, the trends for the next year, and the proper strategic positioning to be developed by Canadian manufacturers.		No additional cost		0
55. Industry Canada continue to work in developing co-operation and partnership among the sporting goods manufacturers and research and development laboratories in order to use new technologies for producing high-performing sporting equipment.		No additional cost		0
<b>4. Horse Racing Industry</b>				
56. The Department of Finance undertake negotiations to change the current tax treaty between Canada and the U.S. to ensure that Canadian betting in Canada on races in the United States will be subject to the Canadian tax laws rather than U.S. regulations.		No additional cost		0
57. The Minister of Finance examine the possibility of amending the Income Tax Act so that the losses incurred by horse breeders and owners receive the same tax treatment as losses incurred by any other businesses in Canada.		Estimate not available		--
58. The Minister of Justice examine the possibility of amending the Criminal Code paragraph 204(1)(c) to add the words or any other telecommunications devices after the words telephone calls. This would allow the horse racing industry to take advantage of emerging new technology to allow wagers directly into betting pools hosted by Canadians tracks, over mediums such as the Internet or digital satellite television.		No additional cost		0
<b>5. Sports Wagering</b>				
59. The Minister of Justice establish a task force to investigate the economic and social impacts of sports wagering in Canada and to study the feasibility of legalizing it.		No additional cost		0
<b>6. International Sport Policy</b>				
60. The Department of Foreign Affairs and International Trade work with the national sport organizations to develop strategies to encourage Canadian corporations to sponsor Canadian international-level athletes who could promote their overseas business.		No additional cost		0
61. The Department of Foreign Affairs and International Trade work with the sport community to develop an international sport strategy for promoting international tourism, foreign investment and the world-class status of Canadian cities through major sport franchises and major games.		No additional cost		0

	Recommendations	Yearly	Total for 5 years
<b>B. Government Programming</b>			
<b>1. Programs for Athletes</b>			
62. The Government of Canada, in conjunction with the provinces and territories, take action to create mechanisms for ensuring fairness in the selection of national teams and access to participation in sport and fitness activities by all Canadians.	No additional cost	0	
63. The government ensure that top-level athletes have more control over the system by encouraging sports organizations to give them significant decision-making strength in those issues that affect them.	No additional cost	0	
64. The Government of Canada ensure the development and delivery of services and programs in both official languages.	No additional cost	0	
<b>2. Sport Medicine and Research</b>			
65. Mechanisms be established that will make it possible to ensure that physiological and biomechanical monitoring of athletes becomes more accessible so as to reduce the temptation to use drugs.	Estimate not available	--	
66. The Government of Canada create a program designed to educate youngsters about safety in sport.	Estimate not available	--	
67. The Government of Canada establish a research fund for projects that study the causes, effects and prevention of all injuries in sport, particularly those that are catastrophic.	1	5	
68. The Government of Canada invest in specific sport research determined by sports stakeholders and that research contracts be awarded to university institutions. A formal mechanism would be needed for coordinating research and distributing findings.	Estimate not available	--	
<b>Total Estimated Cost</b>			578.2
<b>Section 10: New Financing for Sport in Canada "The Millennium Sport Bond"</b>			
69. The Government of Canada, in collaboration with the provinces, establish a millennium sport bond program to generate funds for amateur sport in Canada.	Estimate not available	--	



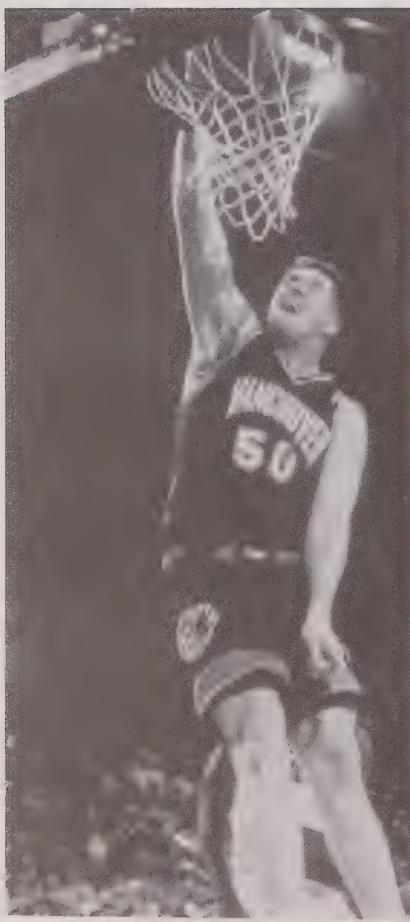
## CONCLUSION

The future of sport in Canada depends on strong leadership, partnership and accountability. Our report leaves no doubt as to the significance of the role played by sport in this country. Sport is vital in terms of Canada's economy, cultural identity and the general health and well-being of Canadians. Many Canadians — employees, participants and spectators — are touched by sport in some manner each and every day. Sport permeates both goods-producing and services-producing sectors of the economy. In the mid-1990s, sport's share of the total output of the Canadian economy exceeded 1% and the sport industry employed more than 262,000 individuals. Sport's share of total output in the Canadian economy exceeds many other industries including wood; logging and forestry; fishing and trapping; and aircraft and aircraft parts. In 1996, Canadians spent almost \$8 billion on sport-related activities. Sport imparts a large impact on other sectors of the economy, especially tourism. It is estimated that sport contributes some \$4 billion in tourism expenditures.

Today, millions of Canadians participate in one or more sports. Many individuals also participate in sport as coaches and organizers. The participation of spectators is also significant, as evidenced by the high-attendance levels at, and TV ratings afforded to, sporting events across the country. Canadians' participation in sport exceeds all other activity.

Despite the upward trend in the number of physically active Canadians over the years, there is considerable scope for improvement as it is estimated that less than 40% of Canadians were active in 1995. And, since it is now widely accepted that physical activity contributes to a stronger and healthier population, increasing the level of activity among Canadians is growing in importance. Health Canada research suggests that a 10% reduction in the number of inactive Canadians would save the Canadian economy \$5 billion. The Committee is very cognizant of sport's role in this context and proposes a number of recommendations designed to enhance the general level of activity among Canadians and the vitality of sport in this country. Special focus is





afforded to youth, women, disabled and Aboriginal people. The Committee recommends that a federal department of sport be created. It also calls for the introduction of a non-refundable tax credit for training costs incurred by volunteer coaches and officials and a non-refundable child sport tax credit, an allocation of some of the recent increase in Sport Canada funding to benefit underrepresented groups, an expansion of school sport programs, the integration of disabled persons into sports governing bodies and the creation and funding of an Aboriginal sports and recreation council.

The Committee recognizes the important role played by Canada's high-performance amateur athletes and recommends that the number of national sport organizations eligible for funding be increased and that a minimum level of \$100,000 be available to national sport organizations for olympic sport to provide a basic level of service for athletes. Furthermore, equity considerations call for a change in carding eligibility criteria so as to permit funding for all eligible national team athletes. The Committee also recommends that the federal government continue to support the Canadian Centre for Ethics in Sport in Canada's fight to eliminate drug use in sport.

Professional sport is an important contributor to the economy and to the lives of many Canadians. Statistics Canada estimates that in the mid-1990s, professional sport and the presentation of live sport spectacles contributed approximately \$608 million to Canadian GDP and created 23,715 jobs. However, the financial health of professional sport and its continued existence in this country are threatened by higher payroll and infrastructure costs and by the level of public support provided to professional teams south of the border. In recognition of the growing problems facing this component of Canada's sport industry, the Committee recommends that a five-part federal strategy called the sport pact be established to promote the vitality and stability of professional sport in this country. This strategy would, for example, provide tax incentives to eligible sports franchises and encourage more small businesses to support their local teams.

Our vision of the future of sport in Canada, shared by many Canadians, calls for a stronger partnership between the public and private sectors and more co-operation between governments. All levels of government play an active role in

promoting sport-related activities. As noted in this report, municipalities represent the backbone of our sport delivery system. It is at the community level that tomorrow's world class athletes begin their training. To assist in the continued development of sports facilities, the Committee recommends that the federal government, in conjunction with provincial, territorial and municipal governments, initiate a sports facility infrastructure program. In addition, the Committee recommends that a fixed percentage of property sold by Canada Lands be used for recreational purposes. Equally important, new sources of sport funding must be developed and, in this context, the Committee recommends the creation of a new vehicle for funding amateur sport called the millennium sport bond.

These and the many other recommendations in this report represent the Committee's vision for strengthening sport in this country. Much work lies ahead and the Committee invites all Canadians to work together to make this collective vision a reality. Finally, the Committee would like to thank all of those who generously shared their views and expertise on this very important subject and who made this report possible.

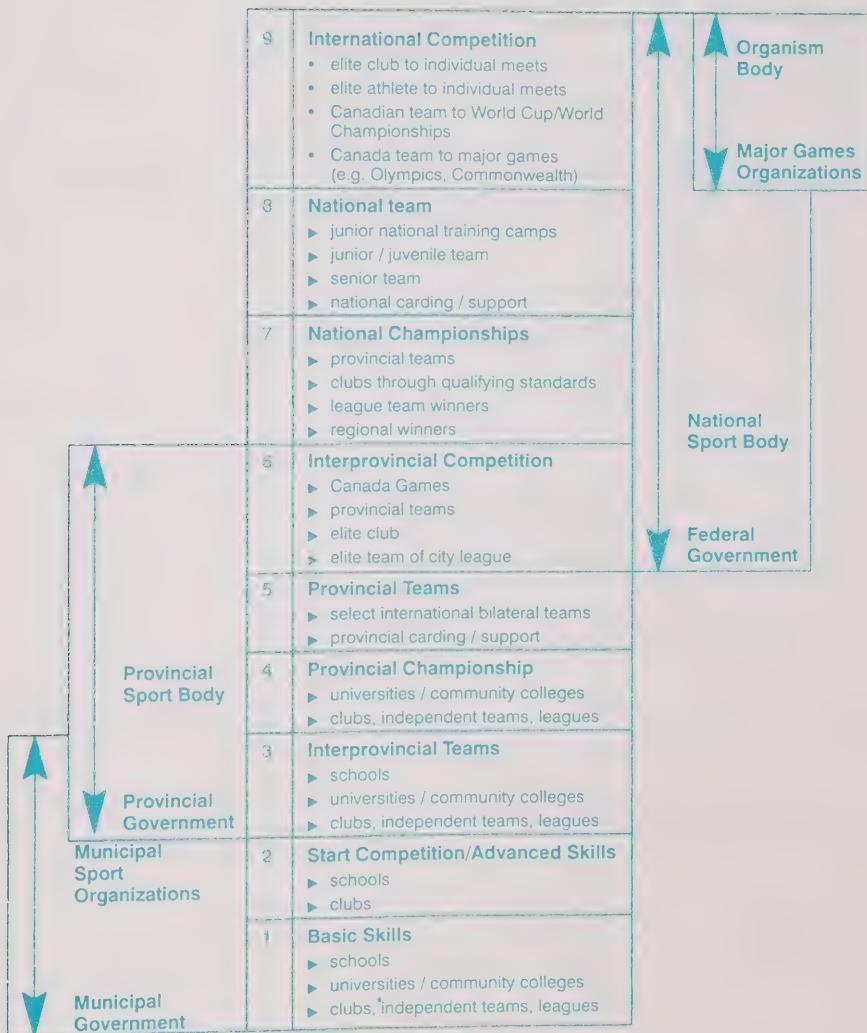
**Never  
give up on  
your  
dreams**





# **APPENDIX I**

## **The Sport Delivery System in Canada**



## APPENDIX II

### List of Witnesses

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<b>Organizations and Individuals</b>	<b>Meeting</b>	<b>Date</b>
<b>Department of Canadian Heritage</b> Norman Moyer, Assistant Deputy Minister, Citizenship and Canadian Culture Dan Smith, Director General, Sports Canada	3	December 1, 1997
<b>Canadian Olympic Association (COA)</b> Carol Anne Letheren, Chief Executive Officer	4	December 8, 1997
<b>University of Ottawa</b> Jean Harvey, Professor, School of Physical Activity Sciences and Vice-Dean (Research), Faculty of Health Sciences Marc Lavoie, Professor, Department of Economics	5	February 5, 1998
<b>Athletes CAN</b> Lori Johnstone, Chair	6	February 11, 1998
<b>Non-Federally Funded Olympic Sports (NFFOS)</b> James Bandola, Executive Director, Ski Jumping Canada Kathy Millar, Federation of Canadian Archers Inc. Jocelyn Langlois, Shooting Federation of Canada Norman O'Reilly, National Team Manager Neil Wilson, Canadian Snowboard Federation		
<b>Triathlon Canada (Triathlon)</b> Patrice Brunet, Director William J. Hallett, President		
<b>Canada Games Council (CGC)</b> Lane MacAdam, President & CEO	7	February 25, 1998
<b>Canadian Broadcasting Corporation (CBC)</b> Daniel Asselin, Director of Sports Programs, Radio-Canada Alan Clark, Head of Television Network Sports, English Service	8	March 25, 1998

<b>NetStar Sports (NetStar)</b>	8	March 25, 1998
Jacques Boucher, Vice-President Programming, <i>Le Réseau des sports (RDS)</i>		
Jim Thompson, President		
<b>Metro Toronto Hockey League (MTHL)</b>	9	April 21, 1998
John Gardner, President		
<b>As Individual</b>		
Lois Kalchman		
<b>Canadian Football League (CFL)</b>	10	April 21, 1998
John Tory, Commissioner		
<b>National Basketball Association (NBA)</b>	11	April 23, 1998
Jeffrey A. Mishkin, Executive Vice-President & Chief Legal Officer		
<b>NBA Canada, Inc.</b>		
Ken Derrett, Managing Director		
<b>Toronto Raptors (Raptors)</b>		
Richard Peddie, President & CEO		
<b>Vancouver Grizzlies (Grizzlies)</b>		
Stephen Bellringer, President & CEO, Orca Bay		
<b>National Hockey League (NHL)</b>	12	April 28, 1998
Stephen Bellringer, President & CEO, Orca Bay Sports & Entertainment, Vancouver Canucks		
Gary Bettman, Commissioner, National Hockey League		
Rod Bryden, Chairman and Governor, Ottawa Senators		
Ronald Corey, President and Governor, Montreal Canadiens		
Ken Dryden, President and General Manager, Toronto Maple Leafs		
Harley Hotchkiss, President and Governor, Calgary Flames, Chairman, NHL Board of Governors		
Glen Sather, President and General Manager, Edmonton Oilers		
<b>Canadian Olympic Association (COA)</b>	13	April 29, 1998
Michael Chambers, Vice-President		
Carol Anne Letheren, Chief Executive Officer		
<b>Montreal Expos (Expos)</b>	14	May 5, 1998
Claude R. Brochu, President		

<b>Canadian Interuniversity Athletic Union (CIAU)</b>	15	May 7, 1998
Jennifer Brenning, Director of Operations Kerry Moynihan, Chief Executive Officer		
<b>Appleton and Associates International Lawyers (Appleton)</b>	16	May 12, 1998
Barry Appleton, Counsel Marjan Neceski, Counsel		
<b>Department of Foreign Affairs and International Trade (DFAIT)</b>		
John Gero, Director General, Trade Policy Bureau II (EBD) John Klassen, Director General, General Trade Policy Bureau		
<b>Canadian Lacrosse Association (CLA)</b>	17	May 13, 1998
William Hutton, Chairman of the Board Michael Lachapelle, General Manager		
<b>Canadian Soccer Association (CSA)</b>		
Nick Filippone, Vice-President Kevan Pipe, Chief Operating Officer		
<b>Eastern Ontario District Soccer Association</b>		
Joyce Stewart, President		
<b>Ontario Soccer Association</b>		
Brian Avey, Executive Director Ed Grenda, President		
<b>Toronto Blue Jays Club (Blue Jays)</b>	18	May 25, 1998
Bob Nicholson, Executive Vice-President, Business Sam Pollock, Chairman & CEO		
<b>Association for the Advancement of Women &amp; Sport &amp; Physical Activity</b>	19	October 7, 1998
Karin Lofstrom Marg McGregor		
<b>Canadian Centre for Ethics in Sport Canadian</b>		
Victor Lachance, Director General		
<b>Canadian Special Olympics Inc.</b>		
Deborah Bright Jim Jordan, Chairman		

<b>Coaching Association of Canada</b>	20	October 21, 1998
John Bales, President		
Carolyne Hudson, Promotions & Communications Co-ordinator		
Eric King, Vice-President		
Tom Kinsman, Coaching Consultant & Executive Director		
<b>Lang and Associates</b>		
Chris Lang, Chairman		
Dan Thompson, Principal "Architectus"		
<b>Molson Breweries</b>		
Jeff Carefoote, Senior Vice-President		
<b>Canadian Association for Health, Physical Education, Recreation and Dance</b>	21	October 22, 1998
Sue Cousineau, Executive Director		
Daniel Parthenais, Special Programs Director		
<b>Health Canada</b>		
Janet Davies, Acting Director General, Strategies and Systems for Health Directorate		
Tim Weir, Acting Manager, Fitness, Active Living Unit		
<b>Assembly of First Nations</b>	22	October 28, 1998
Ted Nolan, Representative		
Paulette Tremblay, Education Director		
<b>"Sports-Québec"</b>	23	October 29, 1998
Jean-Guy Ouellet, Chairman		
Claude Pelletier, Director General		
<b>Canadian Sporting Goods Association</b>	24	November 4, 1998
Yves Paquette, President		
<b>Canadian Hockey League</b>	25	November 5, 1998
David Branch, President		
Gilles Courteau, Vice-President		
Dev Dley, Vice-President		
<b>Racetracks of Canada Inc.</b>		
Stephen Edwards, Executive Vice-President		
Yvon Guiguère, Simulcast Director, <i>Hippodrome de Montréal</i>		

**International Olympic Committee**

Richard Pound, Vice-President

26

November 16, 1998

**Informal Meetings**Dennis Mills, M.P., Chairman of the Sub-Committee on  
the Study of Sport in Canada of the Standing Committee on  
Canadian Heritage

François Trudeau, Professor of Sport, Laval University

November 4, 1998

**Athletics Canada**John Thresher, President and CEO  
Hugh Wilson, Director of Athletics and Coach  
Development**SEVERAL MEMBERS OF THE SUB-COMMITTEE ALSO CONSULTED WITH:****National Hockey League Players Association**

Bob Goodenow, Executive Director

November 10, 1998

(Toronto)

**As Individual**

Bob McCown, Sport Journalist

## APPENDIX III

### List of Submitted Briefs

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Aboriginal Sport Circle, <i>Aboriginal Sport Development: The Role of Coaching Development, the North American Indigenous Games and Provincial/Territorial Aboriginal Sport Bodies.</i>	Health Canada
Appleton & Associates International Lawyers, <i>NAFTA &amp; Sports.</i>	Lang & Associates and Architectus, <i>Connecting Corporations to the Sport Community.</i>
Assembly of First Nations	Lois Kalchman
Athletics Canada	MacRae, Tuck, et al. <i>The Ottawa Senators Hockey Franchise.</i>
Canada Games Council, <i>Sport Development, Community Confidence, National Unity: The Canada Games Council.</i>	McCown, Robert <i>The Legalization of Sports Wagering in Canada.</i>
Canada Games Council, <i>The Canada Games.</i>	Metropolitan Toronto Hockey League
Canadian Association for Health, Physical Education, Recreation and Dance, <i>Role of School Physical Education in the Canadian Sport System.</i>	Molson Breweries
Canadian Association for the Advancement of Women and Sport and Physical Activity.	Montreal Expos Baseball Club
Canadian Centre for Ethics in Sport.	National Basketball Association (a, b)
Canadian Hockey League	National Hockey League
Canadian Lacrosse Association, <i>The Impact of Sport in Canada.</i>	National Hockey League Players' Association
Canadian Modern Pentathlon Association	NetStar Sport Group
Canadian Rhythmic Sportive Gymnastic Federation	Non-Funded Olympic Sport Organizations, <i>Going (for) Broke while Going for Gold.</i>
Canadian Soccer Association, <i>The Industry of Soccer in Canada.</i>	Ontario Soccer Association, <i>The Industry of Soccer In Canada: Regional Perspective.</i>
Canadian Sporting Goods Association	Ottawa Senators Hockey Club
CBC	Racetracks Canada/Hippodromes du Canada
Coaching Association of Canada, <i>Strengthening the Canadian Sport System.</i>	Ski Jumping
Federation of Canadian Archers Inc.	SOAR International, <i>Canadian Sport Tourism Initiative.</i>
François Trudeau	Société Radio-Canada
Harvey, Jean, Marc Lavoie and Maurice Saint-Germain, <i>Sport In Canada: Its Economic Importance and Impact and the Role of the Government.</i>	Sport Canada, <i>Role of Sport Canada.</i>
	Sport Medicine and Science Council of Canada
	Sports-Québec
	Toronto Blue Jays
	Triathlon Canada (a, b)
	Turner, Robert J., <i>Sports Prize Bonds For Alberta.</i>

## **APPENDIX IV**

### **Survey Respondents**

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Alberta Volleyball Association	Canadian Ski Association—Freestyle
« Association québécoise des directeurs et directrices du loisir municipal »	Canadian Handball Association
Athletics Canada	Canadian Hockey Association
Baseball Canada	Canadian Interuniversity Athletic Union
Basketball Canada	Canadian Junior Football League
BC Volleyball	Canadian Kendo Federation
Brewers Association of Canada	Canadian Lacrosse Association
Canada Games Council	Canadian Modern Pentathlon Association
Canadian Adult Recreational Hockey Association	Canadian Olympic Association
Canadian Amateur Wrestling Association	Canadian Olympic Foundation
Canadian Amputee Sports Association	Canadian Paralympic Committee
Canadian Association for Health, Physical Education, Recreation and Dance	Canadian Professional Golfers Association
Canadian Barrel Jumping Association Inc.	Canadian Professional Rodeo Association
Canadian Blind Sports Association	Canadian Shooting Sports Foundation
Canadian Boating Federation	Canadian Ski Patrol System—Québec Division
Canadian Canoe Association	Canadian Soccer Association
Canadian Centre for Ethics in Sport	Canadian Special Olympics Inc.
Canadian Cerebral Palsy Sports Association	Canadian Sport Parachuting Association
Canadian Curling Association	Canadian Sporting Goods Association
Canadian Cycling Association	Canadian Table Tennis Association
Canadian Equestrian Federation	Canadian Tenpin Federation
Canadian Fencing Federation	Canadian Tire Dealers Association
Canadian Figure Skating Association	Canadian Trotting Association
Canadian Fitness and Lifestyle Research Institute	Canadian Wheelchair Sports Association
	Canadian Yachting Association

« Club de hockey Les Rafales S.E.C. »	Saskatchewan Athletics
Coaching Association of Canada	Saskatchewan Council of Cultural Organizations
Corporation Sports - Québec	Saskatchewan Volleyball Association
Edmonton Drillers	SaskCulture Inc.
Edmonton Oilers Hockey Club	Ski Jumping Canada
Edmonton Trappers Baseball	Skills Program for Management Volunteers
« Fédération canadienne de pétanque »	Soaring Association of Canada
Federation of Canadian Archers Inc.	Softball Canada
Federation of Canadian Municipalities	Sport Information Resource Centre
« Fédération québécoise des jeux récréatifs »	Sport Manitoba
Field Hockey Canada	Sport Medicine and Science Council of Canada
General Motors Place	Sport New Brunswick Inc.
Hamilton Bulldogs	Sport Newfoundland and Labrador
International Sports Organization for the Disabled	Sport Nova Scotia
Judo Canada	Sport PEI
Lawn Bowling Canada	Sport Yukon
Lifesaving Society Canada	Squash Canada
Manitoba Moose Hockey Club	Swimming Natation Canada
National Fitness Leadership Advisory Council	Synchro Canada
National Hockey League	Team Canada Volleyball Centre
National Karate Association of Canada	Tennis Canada
National League of Professional Baseball Clubs	Toronto Blue Jays Baseball Club
Newfoundland & Labrador Volleyball Association	Vancouver Grizzlies
Quebec Fashion Apparel Manufacturer's Guild	Variety Village
Rainwear and Sportswear Manufacturers' Association/Mens Clothing Manufacturers' Association	Volleyball Canada
Recreation Association of Nova Scotia	Water Polo Canada
Recreation Facilities Association of British Columbia	Water Ski Canada
« Regroupement Loisir Québec »	Western Hockey League
Royal Canadian Golf Association	WTF Taekwondo Association of Canada
Sarnia Sting Hockey Club	
Sask Sport Inc.	

# **APPENDIX V**

## **Canadian Tax Provisions Dealing with Amateur and Professional Sports<sup>1</sup>**

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- The *Income Tax Act* allows for a deduction for any reasonable expense incurred by a business for the purpose of earning income.
- This provision applies to all businesses, including professional sports organizations.
- Examples of deductions by businesses include advertising in arenas, or advertising in a game program to promote a product or service.
- Examples of deductions by a professional sports team include marketing of team merchandise, or the advertising and promotion of team logo to generate ticket and/or merchandise sales.
- Common specific examples of deductible expenses for businesses include advertising on ice or floor surface at arenas, advertising on the rink boards, advertising on the scoreboard, and advertising and promotion on game programs
- The expense must be incurred for the purpose of earning income.

**SUBJECT: INCOME TAX ACT**

**DATE:** May 13, 1991

**REFERENCE:** Section 6 (subsection 2(3), sections 8, 115 and 212 and paragraphs 18(1)(p) and 125(7)(d) and the definitions of "retirement compensation arrangement" and "salary deferral arrangement" in subsection 248(1))

### **APPLICATION**

This bulletin cancels and replaces Interpretation Bulletin IT-168R2 dated November 28, 1984.

### **SUMMARY**

This bulletin deals with the taxation of Canadian resident athletes and players (and prospective athletes and players) employed by professional sports clubs, such as football, hockey and similar clubs that participate in leagues having regularly scheduled games. In this bulletin, these individuals are referred to as "players". The bulletin discusses the items to be included in the income for tax purposes of such players and the timing and manner of these inclusions, as well as the deductibility by these players of certain expenses. The taxation of non-resident players is briefly discussed. Finally, the bulletin explains the tax treatment applicable to players who receive employment income through a corporation rather than from the sports club directly.

## **DISCUSSION AND INTERPRETATION**

1. For tax purposes, a player's income from employment includes any of the following items received in respect of employment:
  - (a) salaries, including income from personal service contracts (see 7 below),
  - (b) bonuses — for good performance, for allstar rating, for signing contracts, etc.,
  - (c) fees — for promotional activities or other special services performed on behalf of the club,
  - (d) living and travelling allowances (see 2 below),
  - (e) honoraria,
  - (f) payment for time lost from other employment,
  - (g) commuting expenses,
  - (h) free use of automobiles,
  - (i) awards — including cash and the fair market value of bonds, automobiles and other merchandise
  - (j) payments made by a club on a player's behalf that would otherwise be a non-deductible expense to the player, such as agents' fees, legal fees, income taxes, fines, etc.,
  - (k) other benefits.
2. Players' living and travelling expenses that are borne by the club are treated as follows:
  - (a) Non-accountable allowances paid to players, including those paid in the training and tryout period, are income to the player unless they are exempt by virtue of:
    - (i) subparagraphs 6(1)(b)(vii) and (vii.1) (see the current versions of IT-522 and IT-272 on the subject of travelling expenses for employees), or
    - (ii) Subsection 6(6) (see also the current version of IT-91, *Employment at Special Work Sites*).

Where a non-accountable allowance is income to a player, the player may deduct reasonable expenses to the extent that the requirements of paragraph 8(1)(h) are met.

- (b) Reimbursement of a player's properly vouchered travelling expenses incurred for away-from-home games, or any other bona fide club business away from the club's home base, is not considered to be income to the extent that the expenses are reasonable in the circumstances. Similar expenses paid directly by the club are also not considered to be income of the player. However, amounts paid by the club in respect of the player (or reimbursed to the player) for personal travelling, such as for personal vacations or for family members, are considered to be income from the player's employment.
- (c) The value of dining and dormitory facilities that are available to all players during the training and tryout period are not regarded as income to the players provided that the amounts are reasonable in the circumstances. Where a player lives in the general location of the training and tryout camp, and for

personal reasons commutes daily from home, any allowance paid to the player for travelling, meals, etc., will be considered to be for personal living expenses and will be included in the player's income; the employee will not be eligible to claim expenses pursuant to paragraph 8(1)(h) against this income.

## **DEFERRED INCOME**

3. A contract of employment may state that part of the player's remuneration will be payable on a deferred basis, referring either to a part of regular salary, or to some special amount such as an annual bonus. Deferring (or advancing) payments such as salary or bonus can affect the player's level of income for tax purposes in a year. Because of the variety of arrangements that may be made, each case must be considered separately, with due regard to the terms of the employment contract and of any trust or other agreement entered into by either party pursuant to that contract, including an employee benefit plan. Plans or arrangements to defer the salary or wages of a professional athlete for services as such with a team that participates in a league having regularly scheduled games are exempted from the rules in the Act applicable to a "salary deferral arrangement", as defined in subsection 248(1). Such plans or arrangements will also be excluded from the provisions in the Act applicable to a "retirement compensation arrangement", as defined in subsection 248(1), provided, in the case of a Canadian team, that the custodian of the plan or arrangement is a trust company licensed to do business in Canada and carries on business through a fixed place of business in Canada. In such cases, the plan or arrangement is treated as an employee benefit plan (see the current version of IT-502).
4. Generally, however, the player should include deferred remuneration in income for the year in which the player actually or constructively receives it, rather than for the year in which it was earned but not received. Where the year of inclusion in income is after the player has ceased to be employed by a particular club, subsection 6(3) is applicable (see the current version of IT-196).

## **NON-RESIDENTS**

5. Where a player or former player is a non-resident or ceases to be a resident of Canada and receives remuneration or deferred remuneration on account of services performed in Canada for a Canadian club, the player will be liable for tax on that income pursuant to subsection 2(3), as calculated under section 115, except where the payment is one of those specified in section 212 to which Part XIII is applicable (for example, a retiring allowance or deferred profit sharing plan payments). Non-residents are also liable, by virtue of paragraph 115(2)(c.1), for tax on payments received for agreeing to enter into a contract for services to be performed in Canada (i.e. signing bonuses), for undertaking not to enter into such a contract with another party or as remuneration for duties or services to be performed in Canada, if the amount so received is deductible by the payer in computing income for Canadian income tax purposes. Consideration must also be given to the various tax treaties Canada has with other countries.

## **DEDUCTIONS FROM INCOME**

6. Players employed by sports clubs are limited to the same deductions from employment income as are available to any other employee by virtue of section 8. For example, fines paid by players personally are not deductible. Legal fees incurred in the negotiation of player contracts are also not deductible since paragraph 8(1)(b) stipulates that to be deductible, the fees must be incurred in collecting salary or wages owed by an employer or former employer or, after 1989, paid to collect or establish a right to such amounts.

## **PERSONAL SERVICES BUSINESS**

7. Rather than employing a player directly, a sports club or organization may retain the services of a corporation with which the player is in turn engaged under a personal service contract. Income from such personal service contracts may be reported by a corporation if the services are in fact provided through the corporation and documentary evidence supports that fact. Such income will be considered to be income from a personal services business carried on by the corporation if it meets the definition of "personal services business". If it does, such income is taxed at full corporate rates. (If it does not, it may qualify for the small business deduction, provided the corporation is a Canadian-controlled private corporation.) Paragraph 125(7)(d) defines the expressions "personal services business" and "incorporated employee". These definitions deal with situations where a corporation has been interposed in what would normally constitute an employee-employer relationship. As a general rule, a corporation will be treated as carrying on a personal services business where a player:

- (a) is, or is related to, a "specified shareholder" of the corporation, as defined in subsection 248(1),  
or
- (b) provides services to a person or partnership that, in the absence of the corporation, would reasonably be regarded as the services of an officer or employee of the person or partnership.

An exception is provided where the corporation employs, throughout the year, more than five full-time employees or where the services are provided to an "associated corporation". For a discussion of the terms "personal services business" and "specified shareholder", see the current version of IT-73. The meaning of "associated corporation" is discussed in the current version of IT-64.

8. Paragraph 18(1)(p) restricts the deduction of expenses of a personal services business of a corporation to:
  - (a) the remuneration and the cost of other benefits or allowances provided to an "incorporated employee",
  - (b) certain expenses of the corporation associated with selling property or negotiating contracts that are ordinarily deductible from employment income, and

- (c) amounts paid for legal expenses incurred by the corporation in collecting amounts owing for services rendered.

Paragraph 18(1)(*p*) ensures that the use of a personal services corporation does not permit the deduction of an expense which would not have been deductible had the income been earned directly by the player.

## **ENDORSEMENTS AND PUBLIC APPEARANCES**

9. Notwithstanding the above, income from the player's personal endorsements and public appearances negotiated between the player and third parties is business income against which necessary and reasonable expenses may be claimed. The contract may be structured to allow the income to be earned either directly by the player as business income or by a corporation as active business income subject to the small business deduction. Expenses claimed against such income could include costs of negotiating these endorsements and public appearance contracts, office expenses, travel expenses and accounting fees. Such income earned by a corporation is not income from a personal services business

## **Non-Profit Organizations**

**IT-496 February 18, 1983**

**REFERENCE: Paragraph 149(1)(*l*) (also paragraphs 110(8)(*b*) and (*c*), and sections 149.1 and 168)**

1. The purpose of this bulletin is to comment on some of the factors that are considered when determining whether a club, society or association is, in a particular taxation year, exempt from income tax pursuant to paragraph 149(1)(*l*), that is, qualified to be a tax-exempt non-profit organization. Although a particular organization is qualified to be tax exempt pursuant to paragraph 149(1)(*l*), it may, pursuant to subsection 149(5), be subject to tax on its property income and on certain taxable capital gains. For the Department's interpretation of subsection 149(5), see IT-83R, "Non-profit Organizations — Taxation of Income from Property". The Department considers the expression "club, society or association", used in paragraph 149(1)(*l*) (hereinafter referred to as an association) to be wide enough to include an incorporated company.
2. In general terms, the conditions set out in paragraph 149(1)(*l*) that an association must comply with to qualify for exemption are as follows:
  - (a) it must not, in the opinion of the Minister, be a charity;
  - (b) it must be organized exclusively for social welfare, civic improvement, pleasure, recreation or any other purpose except profit;
  - (c) it must in fact be operated exclusively for the same purpose in (b) for which it was organized or for any of the other purposes mentioned in (b); and
  - (d) no part of its income may be paid, payable or otherwise made available for the personal benefit of any proprietor, member or shareholder, except in connection with the promotion of amateur athletics in Canada as described in 13 below.

3. The fact that a proprietor, member or shareholder of an association is a tax-exempt non-profit organization or a registered charity, will not relieve the association of the necessity of complying with the above conditions. In addition, the conditions to be complied with are neither waived nor altered by the fact that most or all of the assets and facilities of the association are leased to a tax-exempt organization or a registered charity. Where the association maintains that certain of its activities are carried on in trust for, or as agents for, another association, and the evidence supports this position, these activities will affect the status of that other association.
4. If, during a period in a particular year, an association is, in the opinion of the Minister, a charity within the meaning assigned by subsection 149.1(1), then it cannot qualify in that period as a tax-exempt non-profit organization. The Department considers this to be so whether or not it was a registered charity as defined in paragraph 110(8)(c) and, if registered, whether or not its registration has been revoked pursuant to section 168. An organization that is a charity as defined in section 149.1 may be exempted from tax only if it complies with one of the provisions in section 149. To qualify for exemption under paragraph 149(1)(f), the charity must be a “registered charity” as defined in paragraph 110(8)(c). For further information concerning registration of a charity see Information Circular 80-10, “Registered Charities”.
5. To be tax-exempt an association must be both organized and operated exclusively for social welfare, civic improvement, pleasure or recreation or for any other purpose except profit. An association may also be organized and operated exclusively for any combination of these purposes. To establish the purpose for which an association was organized, the Department will normally look to the instruments by which it was created. These instruments may include letters patent, articles of incorporation, memoranda of agreement, by-laws, articles and so on. In general terms, “social welfare” means that which provides assistance for disadvantaged groups or for the common good and general welfare of the people of the community. “Civic improvement” includes the enhancement in value or quality of community or civic life. An example would be an association that works for the advancement of a community by encouraging the establishment of new industries. Under the categories of social welfare and civic improvement care must be taken to ensure that the purposes of the association are not those of a charity. “Pleasure or recreation” means that which provides a state of gratification or a means of refreshment or diversion. Examples are social clubs, golf clubs, curling clubs, badminton clubs and so on that are organized and operated to provide recreational facilities for the enjoyment of members and their families. The final category of “any other purpose except profit” is interpreted as a catch all for other associations that are organized and operated for other than commercial or financial reasons.
6. “Any other purpose except profit” may be used to describe the aims of an association whose activities are directed toward the general improvement of conditions within one or more areas of business. An example of this would be where an association was organized to advance the educational standards within a particular industry or profession, to publicize, improve and promote its objectives in a general way and to encourage the exchange of relevant technical information. If the activities of such an organization were consistent with

these aims, then it would qualify for exemption provided all other conditions of paragraph 149(1)(l) were complied with in the year. However, the association will probably not so qualify if it is primarily involved, for example, in an activity that is directly connected with the sales of members' goods or services and for such services a fee or commission computed in relation to sales promoted. Such an association is normally considered to be an extension of the members' sales organizations and will be considered to be carrying on a normal commercial operation. "If the fees and commissions charged are well beyond the needs of the association and these earnings are accumulated and invested as described in 8 below by the association, this would be another reason why the association would not qualify as a non-profit organization exempt from tax.

7. The Department is of the view that an association is not operated exclusively for non-profit purposes when its principal activity is the carrying on of a trade or business. Some characteristics of an activity that might be indicative that it is a trade or business are as follows:

- (a) it is a trade or business in the ordinary meaning, that is, it is operated in a normal commercial manner;
- (b) its goods or services are not restricted to members and their guests;
- (c) it is operated on a profit basis rather than a cost-recovery basis; or
- (d) it is operated in competition with taxable entities carrying on the same trade or business.

8. An association may earn income in excess of its expenditures provided the requirements of the Act are met. The excess may result from the activity for which it was organized or from some other activity. However, if a material part of the excess is accumulated each year and the balance of accumulated excess at any time is greater than the association's reasonable needs to carry on its non-profit activities (see 9 below), the Department will consider profit to be one of the purposes for which the association was operated. This will be particularly so where assets representing the accumulated excess are used for purposes unrelated to its objects such as the following:

- (a) long-term investments to produce property income,
- (b) enlarging or expanding facilities used for normal commercial operations, or
- (c) loans to members, shareholders or non-exempt persons.

This may also be the case where the accumulated excess is invested in a term deposit or guaranteed investment certificate that is regularly renewed within a year and from year to year, whether or not the principal is adjusted from time to time.

9. The amount of accumulated excess considered reasonable in relation to the needs of an association to carry on its non-profit activities is dependent on such things as the amount and pattern of receipts from various sources such as membership fees, training course fees, exam fees and so on. It is conceivable that there would be situations where an accumulation equal to one year's reasonably anticipated expenditures on its non-profit activities may not be considered excessive while in another situation an accumulation equal to two months' reasonably anticipated expenditures would be considered more than adequate. For example, a

year-end accumulation equal to the following year's anticipated expenditures would probably be considered reasonable where an association carries out its "annual fund drive" in the last month of its fiscal period in anticipation of its non-profit activities planned for the following year. However, where another association raises its funds on a regular basis throughout the year, it may be difficult to justify a year-end accumulation in excess of an amount equal to its expenditures for one or two months. It is noted that where the present balance of accumulated excess is excessive or an annual excess is regularly accumulated it may indicate that the association's aims are two-fold, to earn profits and to carry out its non-profit purposes. In such a case, the "operated exclusively" test in paragraph 149(1)(l) would not be met.

10. To qualify for exemption, an association must not only be organized exclusively for non-profit purposes but it must in fact be operated in accordance with these purposes in each year for which it seeks exemption under paragraph 149(1)(l). A determination of whether an association was operated exclusively for and in accordance with its non-profit purposes in a particular taxation year must be based on the facts of each case which can be obtained only by reviewing all of its activities for that year. Such a determination cannot be made in advance of or during a particular year but only after the end of the year. An association that qualifies for exemption in a particular year may cease to qualify in a subsequent year by failing to operate in accordance with one of the purposes specified in paragraph 149(1)(l), by revising its objectives so that it is no longer organized in accordance with that provision or by otherwise failing to meet the requirements of that paragraph. See also IT-409, "Winding-up of a Non-profit Organization", for the Department's interpretation, in paragraph 3, as to where an association's tax-exempt status is lost in this special situation.
11. To qualify for exemption pursuant to paragraph 149(1)(l), no part of the income of an association, whether current or accumulated, may be made available for the personal benefit of any proprietor, member or shareholder of an association (hereinafter referred to as a member). An association may fail to comply with this requirement in a variety of ways. Some of these are as follows:
  - (a) the association distributed income during the year, either directly or indirectly, to or for the personal benefit of any member;
  - (b) the association has the power at any time in the current or future years to declare and pay dividends out of income; or
  - (c) the association in the case of a winding-up, dissolution or amalgamation has the power to distribute income to a proprietor, member or shareholder.

The presence of any of the circumstances described in (a), (b) and (c) would be conclusive evidence that income was payable or available for the personal benefit of a member, subject to the comments in 12 and 13 below and in 4 of IT-409 which deals with the distribution of taxable capital gains to members. To avoid possible difficulties regarding (c), an association may in its enabling documents provide that upon a winding-up, amalgamation or dissolution all of its assets and accumulated income are to be transferred to an organization with similar objects that qualifies for exemption pursuant to paragraph 149(1)(f) or (l) of the Act.

12. It is the Department's view that certain types of payments made directly to members, or indirectly for their benefit, will not, in and by themselves, disqualify an association from being exempted from tax pursuant to paragraph 149(1)(l). This view applies to payments such as salaries, wages, fees or honorariums for services rendered to the association, provided the amounts paid are reasonable and in line with those paid in arm's length situations for similar services. It also applies to payments made to employees or members of the association to assist them in covering their expenses to attend various conventions and meetings as delegates on behalf of the association, provided attendance at such conventions and meetings is to further the aims and objectives of the association. In addition, the Department considers the campaign expenditures of a political party, but not the payments to a candidate other than reimbursement of reasonable expenses, which will often result in an indirect benefit for a candidate, are not the type of personal benefit contemplated by paragraph 149(1)(l) that would cause the party to be denied exemption under that paragraph.
13. Without disqualifying itself under paragraph 149(1)(l), an association may distribute income to or for the benefit of any member that was an association the main purpose and function of which was the promotion of amateur athletics in Canada. This provision will normally be of particular advantage to a registered Canadian amateur athletic association that receives amounts from contributors who claim a paragraph 110(1)(a) deduction for contributions made to it. To obtain registration, on application to the Minister of National Revenue pursuant to paragraph 110(8)(b), an association must be both resident and established in Canada as a non-profit tax-exempt organization according to paragraph 149(1)(l), and its main purpose and function must be the promotion of amateur athletics in Canada on a nationwide basis.
14. An association that is tax-exempt pursuant to paragraph 149(1)(l) is not required to file an annual income tax return unless, in any particular year, it is a corporation, its income as a deemed trust (per subsection 149(5)) exceeds \$500, or the Minister has demanded a return be filed. Although an association may not be required to file an annual income tax return, it must still comply with the other requirements of the *Income Tax Act*. For example, where such things as salaries and wages are paid, the association must comply with the withholding and remittance requirements as well as the requirements concerning the preparation of T4 and other forms.

## **SPECIAL RELEASE**

### **Non-profit Organizations**

**IT-496 June 16, 1989**

**Paragraph 149(1)(l) (also sections 149.1 and 168 and the definitions of "registered charity" and "registered Canadian amateur athletic association" in subsection 248(1)). This Special Release includes comments on amendments to the Act resulting from Tax Reform.**

## **APPLICATION**

**The purpose of this Special Release is to revise Interpretation Bulletin IT-496 dated February 18, 1983, to make certain changes in paragraphs 4 and 13 as a result of Tax Reform and to clarify paragraph 14. The changes in paragraphs 4 and 13 reflect the amendments to the Act under which the tax relief in respect of donations made by individuals is changed, for 1988 and subsequent taxation years, from a deduction in computing taxable income to a tax credit determined by formula as well as certain related amendments. Revised paragraph 14 clarifies the circumstances under which a tax-exempt association is required to file an annual income tax return. Minor changes have also been made to paragraphs 1 and 4 to update references to other Interpretation Bulletins and Information Circulars.**

## **BULLETIN REVISIONS**

1. In paragraph 1 the reference to IT-83R, "Non-profit Organizations — Taxation of Income from Property" is replaced by the reference "IT-83R2, 'Non-profit Organizations — Taxation of Income from Property'".
2. To reflect amendments to the law resulting from Tax Reform paragraphs 4 and 13 are replaced by the following:
  - "4. If, during a period in a particular year, an association is, in the opinion of the Minister, a charity within the meaning assigned by subsection 149.1(1), then it cannot qualify in that period as a tax-exempt non-profit organization. The Department considers this to be so whether or not it was, before or during that period, a "registered charity" as defined in subsection 248(1) (formerly defined in paragraph 110(8)(c) for taxation years before 1988) and, if registered, whether or not its registration has been revoked at any point pursuant to section 168.

Although an organization that is a charity as defined in subsection 149.1(1) will not be exempted from tax by paragraph 149(1)(l), an exemption from tax will be available under paragraph 149(1)(f) if the charity is a registered charity. For further information concerning the registration of a charity, see the current version of Information Circular 80-10, "Registered Charities".

"13. Without disqualifying itself under paragraph 149(1)(l), an association may distribute income to or for the benefit of any member that is an association the main purpose and function of which is the promotion of amateur athletics in Canada. This provision will normally be of particular advantage to a registered Canadian amateur athletic association that receives gifts from:

- (a) corporations that are thereby entitled to a deduction in computing taxable income under paragraph 110.1(1)(a), or
- (b) individuals who, as a result, are entitled to a deduction in computing tax payable determined by the formula in subsection 118.1(3).

(For taxation years before 1988, individuals and corporations contributing to registered Canadian amateur athletic associations were entitled to a deduction under former paragraph 110(1)(a) in computing taxable income.)

To obtain registration, on application to the Minister of National Revenue as required by the definition of a registered Canadian amateur athletic association in subsection 248(1) (former paragraph 110(8)(b) for taxation years before 1988), an association must be both resident and created under a law in Canada, and must be a non-profit tax-exempt organization described in paragraph 149(1)(l), whose main purpose and function is the promotion of amateur athletics in Canada on a nationwide basis.”

3. Paragraph 14 is replaced by the following:

“14. An association that is tax-exempt pursuant to paragraph 149(1)(l) is required to file an annual income tax return for each particular year in which

- (a) it is a corporation, or
- (b) its income as a deemed trust (per subsection 149(5)) exceeds \$500, or for any particular year in respect of which the Minister has demanded that it file a return. In the circumstances where an association is not required to file an annual income tax return, it must still comply with the other requirements of the Act.

For example, where amounts such as salaries and wages are paid, the association must comply with the withholding and remittance requirements as well as the requirements concerning the preparation of T4 and other forms.”

## **SUBJECT: CANADIAN AMATEUR ATHLETIC ASSOCIATIONS RECEIPTS — ISSUING POLICY**

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### **POLICY PURPOSE:**

This document sets out departmental policy with regard to the issuance and control of receipts by registered Canadian amateur athletic associations (RCAAs).

### **POLICY**

1. The payment by the donor must meet the common-law requirements of a gift, i.e., it must be a voluntary transfer of property without consideration.
2. In light of paragraph 168(1)(f) of the *Income Tax Act*, the gift must be made to the RCAAA, without any implied or express condition or understanding that it be transferred to a local club or other issued beneficiary<sup>2</sup>.
3. There can be an agreement whereby the local club raising the funds receives back a percentage of the funds raised as financing for the club's activities that are consistent with two RCAAA's over-all purpose, but because of s. (168)(f) of the Act (see note 9), the specific percentage returned to the local club must not form part of any solicitation for funds by the local club, or any agreement with a prospective donor.
4. A significant amount of the monies raised should be retained by the RCAAA for its own use, for contingencies or to re-distribute to other clubs. An administration fee basically covering the expenses of receiving the monies and issuing the receipts is not considered a significant amount and would tend to indicate that the RCAAA is merely acting as a conduit for a local club's own purposes.
5. The RCAAA should maintain significant accountability and control over the issuance of receipts and the amount of funds raised. It is unacceptable for an RCAAA to "lend" its registration number to a member club.
6. A local club that receives "percentage" funding should account to the RCAAA and must enable Revenue Canada to verify whether receipts are issued according to the Act and this policy<sup>3</sup>. In light of the widespread practice of soliciting contributions from parents whose children receive direct support from the clubs, an RCAAA should require as part of its granting policy, that accounting from local clubs include the names of all those athletes who receive subsidized training. If during the course of an investigation the Department uncovers any substantial abuse at the local level under paragraph (1) above, the RCAAA will be deemed to have failed meeting the requirements of paragraph 166(1)(s) and subsection 230(2) of the Act unless it demonstrated to the Department's satisfaction that it had proper mechanisms in place to reasonably ensure the proper issuance of receipts.
7. Receipt-issuing should, if required, be delegated to a subordinate body at the provincial level only. It should not be sub-delegated by a provincial level association to member-clubs without the RCAAA's consent. The RCAAA must maintain direction and control over the receipt-issuing policies.

**FOOTNOTES:**

1 Supplied by Revenue Canada.

2 S. 168(1) (f) of the Act states that the Minister may propose the revocation of a registered Canadian amateur athletic association where the association “. . . accepts a gift or donation the granting of which was expressly or impliedly conditional on the association making a gift or donation to another person, club, society or association”.

3 Subsection 230(2) I.T.A.: “Every (. . .) registered Canadian amateur athletic association shall keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing:

- a) Information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act;
- b) A duplicate of each receipt containing prescribed information for a donation received by it; and
- c) Other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act.

## APPENDIX VI

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# **REQUEST FOR GOVERNMENT RESPONSE**

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Pursuant to Standing Order 109, your Committee requests the Government to table a comprehensive response to this report.

A copy of the relevant Minutes of Proceedings of the Sub-Committee on the Study of Sport in Canada (*Meetings Nos. 1 to 27, and Meeting No. 57 of the Standing Committee on Canadian Heritage, which includes this Report*) is tabled.

Respectfully submitted,

Clifford Lincoln M.P.

*Chair*

# **Official Opposition Opinion on Sport in Canada**

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The Official Opposition sees sports as integral to Canadian life and Canadian communities. Whether urban or rural, northern or southern, maritimes or prairies, freshwater lakes or mountain, winter or summer, professional or amateur, organized or spontaneous, sport is an element of the Canadian psyche and Canadian culture.

It is clear from the Sub-Committee's study that there is more to "sports" than meets the eye. Sports contribute to the moral and social as well as to the physical development and well-being of Canadian youth and adults. We are satisfied that the main body of this report accurately reflects the testimony given by witnesses who appeared before the Sub-Committee.

However, we identify at least two broad problems with the recommendations in the main body of the report:

1. The expenditure proposals, both direct grants and subsidies as well as tax concessions and credits, require more research to ascertain their effectiveness in the medium and long terms. We would prefer to see a cost-benefit analysis before making a decision as to the implementation of any expenditure recommendations. In this respect we believe the main body of this report betrays a weakness.
2. The creation of new boards and committees on dimensions of sport, as well as any existing boards, committees, and agencies of the Government, should be subject to review by the House of Commons Standing Committee on Canadian Heritage.

In closing, we extend our thanks to the Chairman of the Sub-Committee, Mr. Dennis Mills, M.P., for initiating what could form the basis of more detailed investigation of the role, the place, and contributions of sport to who we are and will become as 21st-century Canadians.

# **Bloc Québécois Dissenting Report on the report by the Sub-Committee on the Study of Sport in Canada entitled Sport in Canada: Everybody's Business**

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## **Leadership, Partnership and Accountability**

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### **SUMMARY**

The Bloc Québécois opposes the *Report* by the Sub-Committee, mainly for the following reasons:

1. The Sub-Committee recommends that the federal government adopt special tax measures in order to support professional sports teams. Although the Sub-Committee has not been able to identify the cost of these recommendations, the Bloc considers that they could cost hundreds of millions of dollars, and consistently opposes any special measures aimed at directly or indirectly subsidizing professional sport in Quebec and Canada.
2. The Sub-Committee recommends the creation of a Department of Sport and Youth. The Bloc opposes this recommendation because it constitutes an unacceptable encroachment into areas of provincial jurisdiction, and fears that the main objective of this department would be to increase federal government visibility at the expense of sports and youth.
3. Notwithstanding moderating provisions such as "in collaboration with the provinces" included in the text, the Sub-Committee makes recommendations that encroach on areas of provincial jurisdiction, thus failing to recognize the primacy of provincial authority over sports.
4. The Sub-Committee ignores the many difficulties facing both amateur and professional French-speaking athletes in Canada and fails to propose any real measures to remedy the situation.
5. Lastly, the Bloc Québécois cannot support the Sub-Committee's recommendation that Canada bid to host the 2010 World Cup of Soccer, thus invalidating its application to host the 2010 Olympic Games.

Above all, however, the Bloc Québécois opposes the Sub-Committee's Report because it cannot agree to having public funds squandered on a thousand and one initiatives, when there is full consensus in Quebec and the provinces of Canada that the federal government must repay \$6.3 billion in provincial transfer payments for health, postsecondary education, and social assistance. The Bloc considers that the federal government must heed this consensus, reduce Employment Insurance (EI) premiums, and lower income taxes before committing funds to highly questionable initiatives. At a time

when the entire population has had to deal with unprecedented budget cuts in crucial areas, the Bloc considers it financially and politically irresponsible that a parliamentary Sub-Committee should make recommendations about the cost of which it has no idea. This attitude is symptomatic of federal Liberal arrogance.

The Bloc Québécois does ask the federal government to adopt some of the recommendations contained in the Report, particularly those aimed at enhancing amateur sport and achieving greater fairness for women, persons with disabilities, and Aboriginal people.

## **1. THE BLOC QUÉBÉCOIS OPPOSES GOVERNMENT SUPPORT FOR PROFESSIONAL SPORT.**

*Montreal is a great city. A great big city. We have to say it; we have to show it. The Expos are alive ... and playing baseball. The Olympic Stadium is a good stadium that millions of people have packed so they can cheer their team..*

*Hey, give the team back to the fans.*

Dennis Martinez, quoted by Réjean Tremblay, *La Presse*, September 10, 1998, page S5.

In order to assist professional sports teams, the Sub-Committee recommends a *Sport Pact* with five strategies, of which the first two are most important.

The first strategy would be a two-year Canadian *Professional Sport Stabilization Program*, with two components.

The first component would allow small businesses to deduct from their taxable income 100% of the price of tickets, season tickets, and boxes.

The second component would allow sports teams to choose between the following two options:

- using a tax credit: a professional or semi-professional team could be eligible for a tax credit of \$5 million, if its income did not exceed \$80 million;
- or
- applying the capital cost allowance in a single year to the costs of building and improving sports facilities, and having the right to transfer this deduction to a related or unrelated party.

Eligibility for the Program would depend on criteria including the following:

- *the team would have to demonstrate its long-term viability as a franchise in its home city;*
- *the team would have to provide employee training in sport marketing, administration, broadcasting and merchandising;*
- *the team would have to demonstrate that it participated financially in the life of the local community and promoted the values of fairness and ethics in amateur sport, for example, by having professional players*

*volunteer their time to give practical lessons to help young persons develop their skills; and*

- *the team would have to endeavour to promote better control of players' salaries.*

The second recommendation of the *Sport Pact* proposed by the Sub-Committee would be to ask the Minister of Finance to negotiate a *Canada-United States Protocol of Income Tax Harmonization for Sport Professionals*. *The purpose of the Protocol would be to eliminate the "duty day" concept now used by Revenue Canada, as well as the present discrepancy between taxation levels in Canada and the United States.*

Since the Sub-Committee has not been able to identify the cost of these recommendations, it has asked the Department of Finance to assess the value of this gift to sports millionaires.

**The Bloc Québécois opposes these two recommendations of the *Sport Pact* proposed by the Sub-Committee for obvious reasons of social justice.**

**The Bloc** vigorously **rejects** the Sub-Committee's recommendation that would allow businesses to **apply, in a single year, the capital cost allowance to all costs** of building a sports facility. It also rejects the part of this recommendation that goes so far as to allow this deduction to be **transferred to a third party**.

**Clearly, the Sub-Committee intends to make taxpayers pay for the construction of new stadiums and other sports facilities for professional teams.** The Bloc Québécois considers this tax measure a veiled subsidy.

**The Bloc** also **rejects** the recommendation by the Sub-Committee that would allow small businesses to **deduct from their taxable income 100% of the price of tickets** to sports activities. Small businesses are already eligible for a 50% deduction for this type of expenditure, a deduction for which ordinary taxpayers are ineligible. Nor can the Bloc accept a tax measure that would benefit only one type of business. The Bloc also finds it hard to accept that the sports industry should benefit from a tax measure unavailable to other industries such as the culture industry: why would tickets to see the Montreal Expos be 100% deductible, but not tickets to hear a concert by the Montreal Symphony Orchestra?

The criteria developed by the Sub-Committee to assess teams' eligibility for the Canadian *Professional Sport Stabilization Program* are odd, to say the least. Some persons may find these criteria reassuring, since no sports team has been able to demonstrate that government support would enable it to remain in its home city. Other criteria, such as the one that teams should endeavour to promote better control of players' salaries or provide training for their employees, in the field of broadcasting have more to do with good intentions.

**The Bloc** also **rejects** the recommendation by the Sub-Committee that a professional or semi-professional team be allowed a **maximum income tax credit of \$5 million**. The Sub-Committee that has dreamed up this recommendation has not identified either its cost or its impact on a team's decision about whether to remain in its home city.

In addition, **the Bloc rejects** the recommendation by the Sub-Committee that would ask the Minister of Finance to negotiate a *Canada-United States Protocol of Income Tax Harmonization for Sport Professionals*, to the lowest common

denominator, of course. Again for reasons of social justice, the Bloc sees no reason to exempt the best-paid workers from the effort demanded of all taxpayers to contribute to public finances.

The Bloc considers these positions justified since no independent study has confirmed professional teams' economic impact on the economy, and no professional team has made a commitment to remaining in its home city if it obtains government support. The Bloc recognizes that the professional sports industry has financial problems, particularly because of salary increases and the exchange rate, to which it must **itself** find solutions.

**The Bloc Québécois considers that professional sports teams are businesses, to be treated as such and assisted through existing programs to the extent that they are eligible for them. It is completely inappropriate to ask taxpayers to subsidize professional teams whose players' salaries have increased exponentially in recent years and, over the next four years, will likely double.**

Furthermore, given the influence of the United States model on Canada's approach to sports, it would be good for Quebec and Canadian citizens to learn about developments in Europe. On November 27, 1997 at a conference on sport, competition, and recent developments and action by the European Commission, Commissioner Karel Van Miert stated: *[TRANSLATION] of the European Commission had conducted a survey among member states on public subsidization of professional sports. The preliminary results of the survey showed very low levels of assistance for professional sport. Some member states, such as Belgium, Austria, the United Kingdom, the Netherlands, Finland and Sweden do not allow government assistance to professional clubs. France has passed legislation to phase out assistance to professional clubs by the year 2000. Ireland and Greece still provide marginal financing to professional clubs through levies on bets. Lastly, although Spain does not provide assistance at the national level, some of its regions assist local clubs.*

## **2. THE BLOC QUÉBÉCOIS OPPOSES THE CREATION OF A DEPARTMENT OF SPORT AND YOUTH AND THE CASCADE OF OTHER ORGANIZATIONS RECOMMENDED BY THE SUB-COMMITTEE.**

With respect to the establishment of a Department of Sport, the Sub-Committee recommends

*that the government establish a separate department responsible for sport, in keeping with the significant role of sport in Canadian society. The mandate of this Department would include the development of high-performance athletes as well as sport for all and responsibility for mobilizing and coordinating all the resources involved in the Canadian sport sector.<sup>1</sup>*

Canada used to have a Minister of State for Sport. This position was eliminated during the Honourable Kim Campbell's government reform in 1993, at which time responsibility for amateur sport was transferred to the Department of Canadian Heritage. The Liberal government endorsed the structure proposed by Ms Campbell when it came to power in 1993.

The Department of Canadian Heritage was set up to *stimulate a feeling of identity and belonging among Canadians, based on bilingualism and multiculturalism. The new Department's mandate was to develop and deliver programs that support a well-defined sense of identity among Canadians. It was expected to become the key player in defining and promoting Canadian values.*<sup>2</sup>

As for Sport Canada, the agency that manages amateur sport on behalf of the Department, we find in their action plan for 1996 the assertion that *above and beyond individual participation, sport helps to strengthen Canadians' pride and sense of unity when their athletes play for Canada and act as their ambassadors in international competitions.*<sup>3</sup>

The Bloc Québécois understands that sport is a means of cultural expression and that it has implications for national pride; the most recent demonstration of this characteristic of sport was certainly the French victory in the last World Cup of Soccer.

But the Bloc cannot accept that, in the current historical context, Canada should make use of sport to deny the culture of Quebec. Incidentally, who can forget the TVA network's initiative in presenting awards (*Lys d'or*) to Quebec athletes who, during the Games, matched or broke their previous performances.

Examples of the current minister of The Canadian Heritage Department's use of the Games to deny the culture of Quebec include the handing out of T-shirts in Canada's colours at the Quebec Games and the sending of hundreds of flags to the Olympic Games in Nagano. We now know that the Minister put pressure on the Canadian Olympic Association to postpone until after the Quebec election its announcement of the Canadian city that would be a candidate for the Olympic Winter Games in 2010.

Propaganda for propaganda. the Bloc does not think it would be useful to create a new departmental entity to do what Canadian Heritage is already doing.

In addition, the Bloc wishes to point out that sport is essentially an area of provincial jurisdiction, as can be seen from the significant involvement of provinces and municipalities in this sector.

**The Bloc Québécois therefore rejects the idea of creating a federal department of sport whose mandate would be to ensure the visibility of the federal government, which the current Minister is managing to do without having a department dedicated to this purpose. Moreover, such a department would encroach on provincial areas of jurisdiction.**

In addition, **the Bloc Québécois opposes the creation of the host of agencies proposed by the Sub-Committee:**

- a Prime Minister's Council for Sport and Fitness<sup>4</sup>;
- an annual National Sport Summit, to be chaired by the Prime Minister;

- a Sport Marketing Advisory Board, to promote sport sponsorship;<sup>5</sup>
- an independent agency responsible for promoting, monitoring and evaluating ethics in sport; and
- a mechanism to allow for more formal consultation and collaboration with stakeholders in the sport system.

The Bloc is convinced that it is not by setting up more and more agencies that we will improve the well-being of Quebecers and Canadians through physical activity. The Bloc considers that, far from pursuing the goal of the population's improved well-being through physical activity, the Sub-Committee's real aim is increased visibility for the federal government. Finally, the Bloc considers that the Sub-Committee has proposed these structures without attempting to evaluate their cost, which is completely irresponsible.

### **3. THE BLOC QUÉBÉCOIS OPPOSES THE SUB-COMMITTEE'S REPORT BECAUSE IT DENIES THE PROVINCES THEIR LEADERSHIP ROLE IN SPORT.**

Nowhere in the *Report* does the Sub-Committee explicitly recognize that the provinces have the principal jurisdiction over sport. On the contrary.

The Sub-Committee is proposing the establishment of a department of sport with responsibility for *mobilizing and coordinating all the resources involved in the Canadian sport sector*. If these words mean anything, it is clear that the majority of Sub-Committee members see this federal department as primarily responsible for sport in Canada and that the department would be mandated to coordinate sports at the national level. Quebec cannot tolerate this unacceptable incursion into an area under its jurisdiction.

It is thus not astonishing that the Sub-Committee's Report has markedly underestimated the role of provinces and municipalities in the area of sport and physical activity in Quebec and Canada. According to Statistics Canada, overall public spending on sport and physical fitness is estimated at \$1.1 billion. The federal government's \$65 million contribution represents barely 5% of this total.

Furthermore, the Bloc Québécois opposes the Sub-Committee's Report because it contains all too many recommendations that flout provincial jurisdiction:

- the introduction of a system of athletic scholarships at colleges and universities;
- the introduction of a *Millennium Sport Bond* to generate funding for amateur sport;
- a program of sports facility infrastructures<sup>6</sup>;

- recommendations directly affecting the school system;
- ·recommendations on training coaches and carrying out studies on local employment markets for such coaches; and
- the following recommendation: *that the government create a program designed to educate youngsters about safety in sport.* This recommendation duplicates what is already being done in Quebec and elsewhere in Canada.

#### **4. THE BLOC QUÉBÉCOIS OPPOSES THE REPORT BECAUSE IT DOES NOT DEAL WITH THE DISCRIMINATION EXPERIENCED BY FRANCOPHONES.**

Year after year, horror stories are made public about the treatment encountered by Francophones in the wonderful world of sport, whether amateur or professional.

In its presentation to the Sub-Committee on the Study of Sport, Sports-Québec stated: “[TRANSLATION] Rare indeed are the national associations that provide accurate service in French, whether in their documentation or their program delivery. The development of national training centres in cities that offer few or no services in French also constitutes a demotivating factor for many Francophone stakeholders, who must either confront exile and the corresponding language difficulties or develop similar services at home at their own expense.”

It is interesting to note that the situation has scarcely changed since Sports-Québec made the following statement eight years ago to the Bélanger-Campeau Commission: “[TRANSLATION] Unilingual Francophone athletes have an additional obstacle to overcome during Canadian selection processes because they cannot communicate fully in their mother tongue with coaches and the officials responsible for selection. In addition, unilingual Francophone athletes have less chance of being supported in their development toward high performance in the Canadian system because the majority of professionals and volunteers responsible for selecting and training athletes tend to be unilingual Anglophones.”

On February 9, 1998, in the daily newspaper *La Presse*, Gilles Blanchard wrote that the Canadian Olympic Association operates in English: “[TRANSLATION] Nine of the ten provincial representatives are English-speaking; Quebec's presidents thus always speak English at the national level. After 30 years, there are scarcely any more Francophones than there used to be running national federations. But these national federations hold a majority of the seats on the Canadian Olympic Association. Internally, the COA operates in English.”

The unilingualism of the Canadian Olympic Association has a distorting effect on the universe of sport in Canada. It is the COA that recognizes the national federations represented at the Olympics. It also has a right of oversight, even a right of veto, on the choice of coaches, and it finances the national federations.

Recently the Bloc Québécois approached Synchro Canada, the organization in charge of synchronized swimming in Canada, to ask it to review its decision to choose Toronto as the place where athletes will train for the next Olympic Summer Games. Toronto still had no centre of excellence and the decision meant two years of exile for the eight young Francophones women from Quebec, who could just as easily have been trained in the Montreal region where the best facilities and coaches in Canada are available to them as well as an opportunity to continue their education in their own language.

This systemic discrimination is clearly described in a document sent to the Bloc Québécois on February 23, 1998, by Mr. François Trudeau, professor of kinesiology at the Université du Québec à Trois-Rivières: *“[TRANSLATION] Most of Quebec’s athletes are required to expatriate themselves to national training centres which in most cases are outside Quebec (...) Moreover, the coaches and training programs all too often operate in English only, naturally enough. It appears that Canadian sport programs, by serving the interests of the majority, are potentially a mechanism for exclusion and assimilation. Certainly there are exceptions, but we must not lose sight of the forest for the trees.”*

The situation is scarcely different when it comes to professional sport. Mr. Marc Lavoie, in a book entitled *Désavantage numérique*, has documented systemic discrimination against Francophones in the National Hockey League: *“[TRANSLATION] Data on the NHL draft clearly show that the future performance of Francophone juniors is systematically underestimated by scouts from the NHL’s central office. Other facts show that Francophones in the NHL and the QMJHL are the victims of a great many prejudices.”*<sup>7</sup>

It has often been assumed that Francophone teams such as the Montreal Canadiens and the Quebec Nordiques practised inverse systemic discrimination. This is false, according to Mr. Lavoie:

*“[TRANSLATION] We must conclude that administrators with the Montreal Canadiens and Quebec Nordiques succumb to pressure exercised by their peers and by the central scouting office. They also, on average, underestimate the performance of Francophone players, although to a lesser extent than do teams in English Canada and the United States. It can be said, as was suggested to me by political scientist Stéphane Dion before he became a federal Cabinet Minister, that the Francophone managers of the Nordiques and the Canadiens “are affected by the anti-French prejudices of their work environment.”*<sup>8</sup>

It is interesting to note in passing that Canada’s national anthem is played in only one of the two official languages in almost every sports centre outside Quebec that has a professional team. This is a symbol, but a symbol that reflects reality: Canada is unilingual and Quebec is bilingual.

To correct this systemic discrimination, the Sub-Committee is proposing that the government of Canada *ensure the development and delivery of services and programs in both official languages.*

As a crowning irony, the Sub-Committee notes that this measure would cost nothing. The Bloc Québécois considers that on this point the Sub-Committee is right: pious wishes never do cost much.

## **5. THE BLOC QUÉBÉCOIS OPPOSES THE SUGGESTION THAT CANADA BID FOR THE WORLD CUP OF SOCCER**

The Sub-Committee on Sport is proposing that Canada submit a bid to host the World Cup in 2010 if it has the 9 covered stadiums with natural turf and seating capacities of 50,000 or more required for the Cup. At the present time, Canada has only two stadiums that meet the IFAF criteria.

The Bloc Québécois rejects this recommendation for two reasons: first, because Canada must make choices and cannot apply to host both the 2010 Olympic Winter Games and the 2010 World Cup, but also because Canada does not at this time have the infrastructures required by the IFAF. It seems to us irresponsible to recommend that over the next decade Canada push the number of its natural turf stadiums with seating capacities of 50,000 or more from 2 to 9. The Sub-Committee did not produce any study that would enable it to evaluate the cost of building these stadiums or of maintaining them once built.

## **CONCLUSION**

The Bloc Québécois reiterates that sport is essentially an area of provincial jurisdiction, which the federal government has invaded through its spending power.

As regards professional sport, the Sub-Committee's Report does not present a full picture of the information obtained by the Sub-Committee on the issue of government support for professional sport. While it portrays fairly accurately the problems being experienced by professional sports in the North American context, the Report is silent on the money paid out so far by various governments to sustain professional sport: there is, for example, the \$60 million invested by Quebec in the Montreal Expos, and the loss of more than \$320 million paid by the taxpayers of Ontario when Skydome was sold to the private sector (which still has its hand out today!).

It is ironic, to say the least, that professional teams that are losing money because of their players' greed and their owners' inability to rein in that greed are today turning to the public purse – they never proposed sharing their profits with the public in the days when they still made any. Moreover, it should be borne in mind that players on professional teams are entitled to forward income averaging for tax purposes, a privilege that is denied to other workers, such as artists. On the other hand, the NHL Players' Association is sitting on \$80 million that it has accumulated from profits on selling promotional items. These profits are not taxable under a provision in the *Income Tax Act* that exempts unions.

Subsidizing professional sport today, either directly or indirectly, would be equivalent to feeding a monster whose appetite will always and only increase.

The Bloc Québécois considers that the report produced by the Sub-Committee on Sport is irresponsible because it makes recommendations in support of professional sport that could cost hundreds of millions of dollars, and because it calls for

a proliferation of structures that would not only encroach on provincial jurisdiction but would also have increasing the visibility of the federal government as their basic purpose.

The Bloc Québécois does support the recommendations designed to provide increased financial assistance to athletes and their federations. The Bloc Québécois also supports the spirit of the recommendations designed to ensure that women, persons with disabilities and Aboriginal people find a larger place for themselves in sport.

Scotland, Wales, Ireland and the Isle of Man enjoy special status at the Commonwealth Games; Puerto Rico has special status at the Olympic Games. The Bloc Québécois calls on the Canadian government to give Quebec the status of an independent entity at major international competitions such as the Francophones Games, the Commonwealth Games, the Pan-American Games and international competitions in hockey, soccer and other sports.

Footnotes:

1 Emphasis added.

2 *Le Nouveau Visage du gouvernement: Guide de la nouvelle structure du gouvernement fédéral*, 1994, p.14.

3 Strategic Research Committee, "Croissance, développement humain, cohésion social", October 4, 1996, p.341.

4 The 1961 Act provided for such a thing, but it became irrelevant when the Public Service was given a mandate to look after amateur sport.

5 Such a structure existed under the Conservative government, but was never active.

6 The Sub-Committee proposes that the federal government invest a maximum of \$100 million in this initiative. If federal priorities do not correspond to Quebec priorities, will the Quebec government be entitled to opt out with full compensation?

7 Marc Lavoie, *Désavantage numérique, Les francophones dans la LNH*, Vents d'ouest, Hull, 1998, p.136.

8 idem, pp.110-111.

# New Democratic Party Dissenting Opinion

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**By: John Solomon, M.P.  
Regina—Lumsden—Lake Centre**

The report of the Sub-Committee on the Study of Sport in Canada is a comprehensive analysis of sport in our country. It reflects the hope, fun and strengths that sports provide to Canadians. It also underscores how important sport at all levels is to building a sense of community and pride in our country. It is an accurate reflection of the significance of sport in Canada.

The recommendations pertaining to the advancement of amateur sport are basically approaches the New Democratic Party endorses. Indeed, we support most recommendations in the report. However, the recommendations pertaining to tax expenditures for professional sport are not supportable under current circumstances.

Professional sports are important to individual athletes, families and communities. Teams like the Toronto Blue Jays, the Saskatchewan Roughriders or the Montreal Canadiens provide entertainment to millions of Canadians. Canadians believe their particular favourite team is worthy of support, as do the New Democratic Party Caucus Members.

It is our view that some professional sports cannot be strengthened or even maintained with some tax supports in isolation. It is our view that professional leagues like the NHL must first review and consider pooling (or revenue sharing) more of their revenues as a league, like the CFL and the NFL do, in order to support teams that have smaller markets, or other financial challenges. It is also difficult to accept that the tax breaks be given to professional sports teams, who pay their athletes over a million dollars a year on average (NHL players for example), when our Healthcare, education and Canada's Social Safety Net is under-funded and when western farmers' net farm income averages around \$3,500, the same levels during the Great Depression of the 1930s.

Our Sub-Committee has not adequately explored the implications of tax expenditure recommendations. Nor have the professional sports franchises, their owners and players agreed on what they should be doing collectively to re-invest in amateur sport and Canadian communities to deserve additional tax consideration. Until these decisions are made by the professional sports teams, tax considerations should be put on hold.

# **DISSENTING REPORT PROGRESSIVE CONSERVATIVE PARTY**

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The Progressive Conservative Party supports those recommendations made by the Sub-Committee with respect to supporting amateur sport in Canada. The PC Party in particular is in support of those recommendations that encourage Canadians to engage in a more healthy lifestyle as well as those that promote ethics in sport, the integration of disabled persons into sport governing bodies and the support of parents and coaches in Canada. As well, those recommendations aimed at overall improvements to amateur sport are strongly supported.

The PC Party does not support those recommendations that propose a Sport Pact as a means of promoting the vitality and stability of professional sport in Canada. Of significant concern is the proposal to provide subsidies, in the form of tax breaks to professional sport franchises in Canada. Our concerns relate to the issues that flow from these recommendations that require further clarification, including:

- The cost of these proposed tax breaks
- The effect these initiatives would have on professional sport franchises and on the Canadian economy in general
- The need for a full and proper examination of the concept of income-sharing among organizations within the National Hockey League
- The lack of any real undertaking by those franchises as to what they would provide in return for these tax breaks (i.e. more community involvement)

We recommend and encourage greater study into the issues of subsidies to professional sports franchises with a mind to ensuring their presence in Canada is balanced with the best economic interests of all Canadians.

Submitted by:

Peter MacKay, M.P.

PC Member

Sub-Committee on the Study of Sport in Canada

Mark Muise, M.P.

PC Member

Standing Committee on Canadian Heritage







